

important for democracies to encourage culture and enlightenment for all, and therefore resolving that the Committee for Industrial Organization, meeting in conference at Atlantic City, does endorse the pending measure (H. R. 8239) introduced by Mr. COFFEY of Washington, and urging its prompt enactment by the Congress of the United States; to the Committee on Education.

3652. By Mr. HOLMES: Petition of the citizens and businessmen of Worcester, Mass., favoring repeal of the undistributed-profits tax and capital-gains tax; that emergency expenditures be confined to essentials for relief; that the Government stop its competition with private business, etc.; to the Committee on Ways and Means.

3653. By Mr. CULKIN: Petition of the American Hotel Association in convention at Pittsburgh, Pa., November 10, 1937, opposing enactment of the Black-Connery wage and hour bill; to the Committee on Labor.

3654. Also, petition of the Copenhagen Grange, No. 90, Copenhagen, N. Y., opposing enactment of the Black-Connery wage and hour bill; to the Committee on Labor.

3655. Also, petition of the Cornell Study Club, of Boonville, N. Y., opposing enactment of farm legislation restricting production of farm crops or any form of crop control; to the Committee on Agriculture.

3656. By Mr. GILDEA: Resolution of the Lycoming Automobile Club, of Pennsylvania, protesting against further reduction in Federal aid to highways because of attendant increase in highway accidents that will ensue through curtailing highway improvement, as the toll taken by accident and death on Pennsylvania highways during 1937 to date has resulted in 2,428 deaths and 54,976 persons injured; to the Committee on Appropriations.

3657. By Mr. DELANEY: Petition of Local 250, United Neckwear Makers Union, of New York City, urging the immediate passage of the Black-Connery wage-hour bill; to the Committee on Labor.

3658. By Mr. KENNEDY of New York: Petition of the New York Board of Trade, Inc., New York City, concerning balancing Federal Budget, repeal of the undistributed-profits tax, revision of laws on labor relations, economically sound system of transportation and communications, sound American foreign trade, and sound agricultural policy; to the Committee on Ways and Means.

3659. By Mr. QUINN: Petition of the Home Owners Association of Pennsylvania, endorsing the housing program of President Roosevelt; to the Committee on Appropriations.

3660. By Mr. CURLEY: Petition of the United States Immigration and Naturalization Service Field Employees' Association, endorsing House bills 8431 and 8428; to the Committee on the Civil Service.

3661. Also, petition of the Army Base Local 43, United Federal Workers of America, protesting against the dismissal of Civilian Conservation Corps workers at the Army Base, Brooklyn, N. Y.; to the Committee on Appropriations.

HOUSE OF REPRESENTATIVES

SATURDAY, DECEMBER 18, 1937

The House met at 11 o'clock a. m.

The Reverend James Shera Montgomery, D. D., offered the following prayer:

Almighty God, whose temple is all space, the Lord and breath of things unseen, we praise Thee for life's daily round with its repeated joys and familiar duties. Bless us all with the courage to pray: "Let the words of my mouth and the meditations of my heart be acceptable in Thy sight, O Lord, my strength and my Redeemer." How blessed it is, our Father, to be faithful to our trusts, gifts, and opportunities. May we never let a day pass but we pray God to bless our flag. Grant that we may be right, judged by those supreme sentiments of the soul—faith, hope, and love; then our country shall listen and approve. Speak peace to every heart, strengthen the wavering, inspire any who may be

discouraged. O Love Divine, bring forth light in every household where there is darkness and joy where there is sorrow. We pray in the adorable name of Jesus. Amen.

The Journal of the proceedings of yesterday was read and approved.

PERMISSION TO ADDRESS THE HOUSE

Mr. ALLEN of Pennsylvania. Mr. Speaker, I ask unanimous consent to proceed for 30 seconds.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. ALLEN of Pennsylvania. Mr. Speaker, I have here a copy of the Washington Post of this date. I am listed on page 7 as having voted for recommitment of the wage and hour bill, which is an error. I make this statement now so that it will be emphasized in the Record. I did not vote to recommit that bill.

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and include therein a brief letter from Mr. Kile.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. ANDERSON of Missouri asked and was given permission to extend his own remarks in the Record.

AMENDMENT OF THE FEDERAL HOUSING ACT

Mr. O'CONNOR of New York. Mr. Speaker, I call up House Resolution 384, and ask for its immediate consideration.

The Clerk read as follows:

House Resolution 384

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 8730, a bill to amend the National Housing Act, and for other purposes. That after general debate, which shall be confined to the bill and continue not to exceed 4 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit, with or without instructions.

Mr. O'CONNOR of New York. Mr. Speaker, I yield 30 minutes to the gentleman from Massachusetts [Mr. MARTIN].

Mr. Speaker, this is a rule for the consideration of the housing bill. It is an open rule providing for 4 hours of general debate.

The housing bill is a most important piece of legislation, and I trust it will not only pass the House but will pass another body, and if it goes to conference I hope it may be completed before the next session of this Congress begins.

Mr. Speaker, we in the cities are especially interested in the housing problem. The locality from which I come, the Borough of Manhattan in New York City, has been very much interested in this matter. There have been bills passed for slum clearance and low-cost housing. The housing which we have obtained through Government aid in my territory has been very disappointing. On two occasions we placed in the Housing Act a provision which authorized the insurance of mortgages on property for repairs and alterations up to \$50,000. In New York City we have some 60,000 condemned tenements or flats, two, three, and four stories high, which could easily be remodeled and made modern for a comparatively small sum. A 25-foot standard dwelling could be remodeled for seven or eight thousand dollars and the rent would only be five or six dollars a month per room; but for some reason or other the Federal Housing Administration has never put that provision of the law into effect to any extent.

These great big slum-clearance projects, which include 20-story elevator apartments, are not going to do that part of New York any good. The people who have lived all of their lives in these two-, three-, and four-story tenements

or flats want to stay there; and they can stay there if the Federal Housing authorities will cooperate to insure loans for the remodeling of those dwellings, which will rent for five or six dollars a month per room, with all modern conveniences, instead of moving the people into skyscraper elevator apartments, which it is proposed to build now at a rental of from \$10 to \$11 per month per room. That is the problem we in Manhattan face.

Mr. Speaker, Manhattan has been neglected in all this contribution which this Government has made toward low-cost housing. They built one big skyscraper, Knickerbocker Village, way down near the river out of reach of habitation. The people for whom housing was intended will not live there. The people who live in Knickerbocker Village are the higher-salaried, white-collar class, not the people who have been born and brought up, and their people before them, in tenements on the East Side.

Mr. Speaker, in my district we have made a thorough survey, and we submitted voluminous figures which showed that we could take a square block of three-story buildings, improve and modernize them, to rent for five or six dollars a room. We could put a big playground in the center of the block and make it an ideal housing project. But we cannot, for some reason or other, get the housing authorities to think of anything but two things—the big slum-clearance project and the individual home.

I am for the individual home, but individual homes cannot be built in what you and I know as New York City. The land value is too high. Of course, this bill does not meet the situation we have in Manhattan except in one particular. I believe it is an improvement. When the housing bill was here last I tried to have a similar provision incorporated into the measure.

The SPEAKER. Will the gentleman from New York yield to receive a message from the Senate?

Mr. O'CONNOR of New York. I yield for that purpose, Mr. Speaker.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Crockett, its Chief Clerk, announced that the Senate had passed, with amendments, in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 8505. An act to provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House thereon, and appoints Mr. SMITH, Mr. McGILL, Mr. POPE, Mr. BANKHEAD, Mr. HATCH, Mr. FRAZIER, and Mr. CAPPER to be the conferees on the part of the Senate.

Mr. JONES. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 8505) to provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce, with a Senate amendment, disagree to the Senate amendment, and agree to the conference asked by the Senate.

Mr. O'CONNOR of New York. Reserving the right to object, Mr. Speaker, has the gentleman from Texas in mind providing that the conferees may sit between the adjournment of this session and the opening of the next session?

Mr. JONES. We shall not be able to meet before the 28th or 29th of this month, and I take it we probably could not finish before the opening of the new session.

Mr. O'CONNOR of New York. The gentleman might save some time if he got such permission.

Mr. JONES. I will ask the permission anyway, and I thank the gentleman for his suggestion.

Mr. SNELL. Reserving the right to object, Mr. Speaker, may I ask the chairman of the committee a question? I have not had time to examine the bill as it passed the other body, but as I understand the situation, the amendment which was offered in the House by the gentleman from Wisconsin [Mr. BOILEAU]—and I believe a similar amendment

was offered in the Senate by Senator McNARY—is in the Senate bill.

Mr. JONES. It is a very similar amendment. I do not know whether or not it is identical, but it is nearly so, if it is not.

Mr. SNELL. If the amendments are practically the same, that amendment could not be taken out of the bill in conference without a vote of the House?

Mr. JONES. I would not want to answer that question categorically. I take it we would have to have an amendment along somewhat similar lines. However, I have not had a chance to go over the Senate bill.

Mr. SNELL. Will the gentleman agree that this amendment will not go out of the bill without coming back to the House for a vote?

Mr. JONES. I think we would have to come back to the House if it is identical or in similar form, or have a special rule, one of the two.

Mr. SNELL. If it is identical, of course, it is not within the range of conference.

Mr. JONES. No; it would not be within the range of conference if the amendments are identical in their provisions.

Mr. SNELL. I wish the gentleman would promise he would not allow the amendment to be materially changed in any way without bringing it back to the House and submitting it to a vote of the House.

Mr. JONES. I may say to the gentleman I do not like to make committals until I have had a chance to see the text of the bill. Numerous amendments have been adopted. The bills are so widely different that I do not like to make a committal at this time. I will try to be fair about the proposition. I believe some provision should be worked out on that proposition, regardless.

Mr. SNELL. I trust the gentleman will see that the provision remains practically the same as it passed the House.

Mr. JONES. I will endeavor to take care of that.

Mr. BOILEAU. Reserving the right to object, Mr. Speaker, may I say to the gentleman the Senate provision and the House provision are identical insofar as it is possible to have them conform to the philosophies of the respective bills. The purport of the amendments is exactly the same. In the Senate a motion was made to reconsider and the motion was defeated, showing clearly that the Senate wants the provision in the bill. The House has also shown it wants the provision in the bill.

Mr. JONES. I have not had a chance to see the Senate bill, but the two bills are widely different. The amendment is at a different place in the Senate bill, and, I understand, is somewhat different. I may say to the gentleman I realize the attitude taken by the two bodies, and it is not my purpose, as far as I am personally concerned, to try to eliminate the provision. However, I do believe we should make it as practical as we can under the limitations we will have. It is not my purpose to try to violate any of the rights of the gentleman.

Mr. BOILEAU. I appreciate that. However, I believe the chairman should be willing to state to the House that the matter will not be disposed of in conference without a separate vote being permitted in the House.

Mr. JONES. I hope the gentleman will not insist on that. I may say to the gentleman I will check with him on what changes we have if there are any. I do not like to go to conference with my hands tied. The bill as passed is an entirely different bill.

Mr. BOILEAU. I may say to the gentleman that if the matter were entirely in his hands, without pressure being brought by a certain department of the Government, I would be perfectly willing to leave it entirely in his hands; but with the pressure I know is being brought by the department, and that has been brought during the consideration of the bill, together with the misinformation which has been given by the department with reference to the bill, and all of that, I believe we should protect ourselves in every respect, and I very respectfully request the gentleman to give the House such an assurance.

Mr. JONES. I may say to the gentleman that as far as I am concerned, and I think I may speak for the other conferees, we expect to make our own decisions in the conference. I am not under pressure from anyone.

Mr. BOILEAU. I appreciate that.

Mr. SNELL. In view of the statement of the gentleman from Texas that he understands the feeling of the Members of the House, I really believe he will protect our interests. I have that much confidence in him, even though he did not agree with me at the time the amendment was put in the bill.

Mr. BOILEAU. The gentleman from New York puts me in a very embarrassing position. I would not want the gentleman from New York or the gentleman from Texas or the House to think my objection was due to any lack of confidence in our distinguished chairman, because I do not hold that attitude. I shall yield my position rather than be put in the false position of having any lack of confidence in the gentleman from Texas. Therefore, Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Texas? [After a pause.] The Chair hears none, and appoints the following conferees: Mr. JONES, Mr. FULMER, Mr. DOXEY, Mr. HOPE, and Mr. KINZER.

AMENDMENT OF THE FEDERAL HOUSING ACT

Mr. SNELL. Mr. Speaker, will the gentleman from New York yield for a question?

Mr. O'CONNOR of New York. I yield to the gentleman from New York.

Mr. SNELL. As I understand the gentleman's statement this morning, he is not of the opinion that the money which has been spent so far under the nominal head of slum clearance has been of special benefit to the real slums in which the gentleman and some other people who live in city areas have been definitely interested.

Mr. O'CONNOR of New York. Of course, I am talking only of New York City.

Mr. SNELL. I mean in reference to New York City.

Mr. O'CONNOR of New York. That is my personal opinion.

Mr. SNELL. It has always been my feeling that they never accomplished any real good for the people who are living in the cheap tenements down on the East Side of New York City, and I have always believed they ought to do something that would benefit the people in the lower wage class.

Mr. O'CONNOR of New York. There is such a provision in this bill for the first time.

Mr. SNELL. And the gentleman believes the provision will reach them?

Mr. O'CONNOR of New York. They will to some extent reach that type of housing under this bill.

Mr. REED of New York. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. I yield.

Mr. REED of New York. Does the gentleman think it will help in the New York City area where the limitation is \$6,000?

Mr. O'CONNOR of New York. No; I am talking about another provision.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. I yield.

Mr. RICH. The gentleman spoke about the Federal Housing Administration wanting to build individual homes, and the gentleman referred to the fact that the ground is too expensive to build them in New York City. Does the gentleman believe it is best to build apartments in New York City on such expensive ground rather than go out in the country from New York where they can build individual homes?

Mr. O'CONNOR of New York. Oh, you have got to have homes in New York City and you will always have them. There are people who do not want to live anywhere else. They want to live where they were born and brought up,

as well as their people before them, and be near the schools they went to and near the churches they have been attending all of their lives, and be with their old friends and neighbors. People do move out into the country sometimes from New York and many times, after a few years, they come back to their old environment.

I am not criticizing the work of the Federal Housing Administration generally. I think they have done a fine job, but we have not been able to sell the Government the idea of taking care of this particular class of people.

Mr. RICH. If the gentleman will permit one further question: If they build on these expensive sites in New York City, will not the cost to the Federal Government be greater than the cost would be if they built the individual homes I have referred to?

Mr. O'CONNOR of New York. Of course, when we are referring to the Federal Housing Administration, there is no cost to the Federal Government. They do not lend any money or expend any money. All they do is to insure the mortgages up to a certain percentage. Private capital furnishes the money.

Mr. RICH. Does not the gentleman believe the Federal Government eventually is going to have to assume some of these expenses?

Mr. O'CONNOR of New York. Not under this form of housing.

Mr. RICH. It seems to me it is ridiculous to assume otherwise.

Mr. O'CONNOR of New York. The gentleman is talking about the Housing Authority, and I am not discussing that now.

Mr. TARVER. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. I yield.

Mr. TARVER. It was called to my attention on yesterday by the evidence of the Assistant Attorney General having charge of the Claims Division of the Department of Justice that the Government has sustained a loss of over \$50,000,000 in the loans made for modernization and repair under the Federal Housing Act, and it is a part of this gentleman's duty to undertake such reimbursement as he can secure for these losses.

Mr. O'CONNOR of New York. The gentleman refers to title I?

Mr. TARVER. That is right; and as I understand it that is out of \$600,000,000 in loans, so that the percentage of loss is almost 10 percent.

Mr. O'CONNOR of New York. I am not familiar with that phase of the matter and I have never heard that discussed. I am surprised to hear the figure mentioned by the gentleman.

Mr. RICH. If I may ask the gentleman one further question. As I understand it from the laws we passed with respect to Federal housing, the Federal Government pays the taxes in constructing these properties in New York City, and there is going to be an additional burden to the Federal Government if we construct the apartment houses the gentleman refers to?

Mr. O'CONNOR of New York. The Federal Housing Administration does not lend any money or spend any money or contribute any money. It is all furnished by private capital. They insure the mortgage which enables private capital to go ahead with the venture.

Now, in this bill for the first time there is a provision which permits the Federal Housing Administration to insure mortgages up to 80 percent on multiple dwellings of 25 or more units. This means that in New York City, or in Manhattan, at least private capital can build what we call "walk up" apartments, three or four or as much as six stories high, somewhat similar to the existing dwellings in the neighborhood. This is going to help Manhattan if the Federal Housing Administration is favorable to it and will go ahead with it. Of course, they have never been favorable to the \$50,000 alteration and repair provision. I trust they will be more favorable to the new provision.

Another feature of this bill to which I would like to call attention is this: In the outlying sections of New York City, where we do have individual homes, the cost of the land is so high that you cannot build a house within the \$6,000 limit. This bill contains a provision, which I sincerely hope stays in the measure, that mortgages on homes costing as high as \$10,000 can be insured by the Federal Housing Administration up to 90 percent on the first \$6,000 and 80 percent on the remaining \$4,000. My distinguished colleague from New York [Mr. BARRY] deserves great credit for prevailing upon the Banking and Currency Committee to incorporate this amendment in the bill.

The increase from 80 percent to 90 percent on homes costing up to \$6,000 is one of the finest provisions in this legislation. This provision is going to be bitterly attacked. It is going to be attacked from the banker's standpoint; it is going to be attacked from the building and loan association's standpoint; but what we want to do is to get our people to invest in their own homes. Some of the best people cannot put up 20 percent, as they have to do today, but can put up 10 percent. Most of the people, after these years of depression, have not the 20 percent, although they are good risks, and they are investigated before the loan is insured by the Federal Housing Administration.

I want also to express my sympathy with a reduction in the rate of interest to 5¼ percent.

While the Federal Housing Administration has done a good job under the existing act, I think there are three or four improvements in this bill which are creditable advances; that is, the securing of loans up to \$2,500 for repairs of buildings; the increase made to 90 percent in the amount insurable on houses up to \$6,000; the provision for insuring the mortgages on "walk up" tenements; and the creation of the National Mortgage Associations. Those four amendments constitute a vast improvement over the existing law and should appeal to anyone who wants the Nation to catch up the slump in home building in the last 7 years and put our people to work. The fundamental reason for a housing program is to furnish employment. Building furnishes more employment than any other industry.

For that reason I hope the bill will pass.

Mr. O'CONNOR of Montana. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. I yield.

Mr. O'CONNOR of Montana. Under the provisions of section 203 (B) is there not a limitation placed upon any one obligation, whether it be an apartment house or what not, at \$16,000?

Mr. O'CONNOR of New York. Oh, no; that is the existing law and that pertains to single dwellings. The mortgage cannot be insured on any dwelling appraised at more than \$16,000. That limit has been increased as to multiple dwellings, to \$250,000. Sixteen thousand dollars still holds as the individual loan.

Mr. O'CONNOR of Montana. But not as to apartment houses?

Mr. O'CONNOR of New York. That is correct.

Mr. SAUTHOFF. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. Yes.

Mr. SAUTHOFF. The gentleman spoke of the fact that these loans are thoroughly investigated beforehand. I read the other day in one of the newspaper accounts that I think the National City Bank had made several hundred of these loans without any investigation whatever, and that there had been fraud uncovered in connection with that.

Mr. O'CONNOR of New York. Those were loans under title I, up to \$2,000 for alterations, repairs, and equipment, not the loans on the construction of homes. Those minor loans were known as character loans, and there was very little investigation done in connection with them. All that was left to the lending bank or other institution.

Mr. SAUTHOFF. Here is the point. If the administration would make the investigation, then I think we would be safe with our money, but if it is to be made by the bank

that is going to be insured anyway, then their only interest is in making the loan, and they will not care whether they lose it or not, because their money is insured.

Mr. O'CONNOR of New York. That may have been true as to those loans that were left entirely to the bank, but as to the loans for the construction of houses, I know of my own knowledge that the prospective purchaser, the home owner, is investigated. He must have a good job, and the insurance of stable employment. I have seen the investigation conducted.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. Yes.

Mr. RICH. How far is Brooklyn from New York?

Mr. O'CONNOR of New York. It is just across the East River, I suppose the distance of 1 mile at most.

Mr. RICH. How far is Jamaica, Long Island, from New York?

Mr. O'CONNOR of New York. Ten miles.

Mr. RICH. Here is a concern which says that they build homes in Jamaica, Long Island, for \$4,490, and they have the land assessed at \$100 per lot, and that they have tried to sell homes at that price and ask for only \$350 down payment, and cannot sell them.

Mr. O'CONNOR of New York. That may be. I do not know anything about it.

Mr. RICH. If that is the case, what is this bill going to do to encourage building?

Mr. O'CONNOR of New York. I do not know as to that particular concern. I know that a number of builders around New York are selling hundreds of homes.

Mr. BARRY. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. Yes; I yield to the distinguished gentleman from New York, whose interest in this measure is not surpassed by that of any Member.

Mr. BARRY. Mr. Speaker, I happen to live in Jamaica, Long Island, it is in my district, and a majority of the homes there cost more than \$6,000. I do not know the specific houses the gentleman from Pennsylvania refers to, but they cannot amount to very much in that community.

Mr. RICH. If the gentleman would permit, I would like to insert this letter in the RECORD at this point, to show where you can buy homes for \$4,490 in Jamaica, Long Island. It comes from the T. H. Fraser Mortgage Co.

Mr. BARRY. That is a Brooklyn organization. So far as I am concerned I have no objection, but I live in Jamaica and I happen to be acquainted with the buildings in that community and I know that that is an exceptional case.

Mr. RICH. Mr. Speaker, I ask unanimous consent to insert this letter in the RECORD at this point.

The SPEAKER. Is there objection?

Mr. RABAUT. Mr. Speaker, I object.

Mr. O'CONNOR of New York. Mr. Speaker, just one word in connection with what the gentleman says. Of course, you cannot build homes around New York City as cheaply as you can build them elsewhere, because in addition to the high cost of land we have very strict building laws, including fireproofing in many places. We have to build our houses differently than in other localities, so the construction cost is much more. While one should be able to build a home anywhere in this country for under \$5,000—and that is what the Nation needs and wants—you cannot do that in the big cities, because of the strict fire regulations and other conditions and requirements. Unfortunately vacant land which, by itself, has no real value, is held at high prices, sold, not by the acre, but by the square foot.

Mr. JENKINS of Ohio. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR of New York. Yes.

Mr. JENKINS of Ohio. I notice in the report it is said that it is well known there is a lot of shortage of buildings and homes in the country. I assume that may be true, if you have in mind the metropolitan areas. What does the gentleman know from his experience, having heard the discussion on the bill, as to whether or not there is any real

shortage of homes in what you might call the rural or the semirural sections of the country?

Mr. O'CONNOR of New York. Of course, I do not know as to the rural sections.

Mr. JENKINS of Ohio. In my section of the country I do not think there is any shortage. Assuming there is no shortage in a great portion of the United States, I mean territorially, as in my section, more or less rural, is it safe to say that this bill is built up so that it would not apply much to that, and that the people in those sections of the country cannot get much benefit from it?

Mr. O'CONNOR of New York. I do not know in just what particular localities the shortage is. I have read a number of statements from people supposed to know, especially Mr. Stewart McDonald, Administrator of the Federal Housing Administration, and Mr. John H. Fahey, Chairman of the Home Owners' Loan Corporation. These gentlemen have studied the subject abroad as well as in our country, and join with other authorities in stating that we have a shortage of millions of homes in the United States because of the lack of building in recent years.

Mr. JENKINS of Ohio. My position about it is this: I do not think I should vote for this bill if it were good just for the people of my own section because I do not think it will reach us, but if the gentleman thinks it does reach the great metropolitan areas, I think we should come forward and assist.

Mr. O'CONNOR of New York. I have been voting for the gentleman's section for a great many years.

Mr. JENKINS of Ohio. Does the gentleman think that this bill will help his people?

Mr. O'CONNOR of New York. Oh, yes; indeed, I do.

Mr. Speaker, I reserve the balance of my time.

Mr. MARTIN of Massachusetts. Mr. Speaker, the minority is not opposed to this rule. The legislation will be considered under the general rules of the House and there is adequate opportunity for debate.

The legislation is one in which there is wide interest and great hope. I appreciate the splendid purpose back of the legislation. We would all like to have people own their own homes. A nation of home owners is highly desirable. It would build for national stability. It is hoped it will aid business and create jobs. We would all like to aid business. That should be the great problem before Congress today, to do something which would aid business and stop us from suffering a long and disastrous depression. I am afraid this legislation will accomplish very little, if anything. If we would devote our time to giving relief from unjust and stifling taxes; if we would bring greater economy into our Government; if we would demand that the bureaus and departments of the Government make honest retrenchment in their expenditures; if we would give small business more of an opportunity than we have, we would accomplish a great deal more to put people to work and give more jobs than we will with the pending legislation.

I realize this is a gesture in the right direction. For that reason it is entitled to our serious consideration. I hope, however, the majority will not forget the American people are looking for more than this mild "shot" to aid business. I repeat, our great problem today is to create jobs in private enterprise. Let us give the business of this country some real hope. Let us give them at this precarious hour some confidence. If we do, we may avert the serious depression which is predicted.

Mr. RICH. Mr. Speaker, will the gentleman yield for a question?

Mr. MARTIN of Massachusetts. I yield.

Mr. RICH. Does the gentleman believe that by the Federal Government guaranteeing these loans to banks and permitting only 10-percent down payment at this time, that it will create any inspiration in the American people to go out and obligate themselves for a home at this time?

Mr. MARTIN of Massachusetts. That is something I would prefer that the gentleman ask of the gentleman from

Michigan [Mr. Wolcott] when he addresses the House. He has studied the bill with great care and can give you any information you seek.

Mr. RICH. I would hope it would, and I would be glad to see that accomplished, but I question very much whether this would do what we anticipate it will do.

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield such time as he may desire to the gentleman from Massachusetts [Mr. Treadway].

Mr. TREADWAY. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield 5 minutes to the gentleman from Tennessee [Mr. Taylor].

Mr. TAYLOR of Tennessee. Mr. Speaker, I ask unanimous consent to proceed out of order for 3 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. TAYLOR of Tennessee. Mr. Speaker, the "roll has been called," and the House of Representatives has again, thank God, asserted its role and responsibility under the Constitution.

The action of the House last night in recommitting an anonymous and most mischievous offspring of the so-called Black-Connery bill, in the face of White House heat and notwithstanding administration pressure, was the most auspicious and heartening omen that has appeared on the Nation's horizon during the past 5 years. This action clearly shows that the House of Representatives has recovered its constitutional equilibrium and will no longer allow itself to be used as a "rubber stamp." [Applause.] The vote last night signifies the preservation of the freedom of labor in the United States, the saving of southern industry, and the complete exoneration and vindication of the Rules Committee.

Mr. RABAUT. Mr. Speaker, I suggest the absence of a quorum.

The SPEAKER. The gentleman from Michigan makes the point of order that there is not a quorum present. The Chair will count. [After counting.] One hundred and fifty-six Members are present, not a quorum.

Mr. RABAUT. Mr. Speaker, I will withdraw the motion.

Mr. SNELL. Mr. Speaker, a point of order. The Speaker has announced that a quorum is not present. The gentleman from Michigan cannot withdraw the point of order. The Speaker has announced that there is no quorum present. Business cannot be conducted after the Speaker has announced there is no quorum present.

The SPEAKER. The Chair will hold that a point of order having been made that there was no quorum present, and the Chair having counted and announced that there was no quorum present, a constitutional question is raised. No quorum is present, as was announced by the Chair.

Mr. STEAGALL. Mr. Speaker, I move a call of the House. A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 21]

| | | | |
|----------------|----------------|------------|---------------|
| Atkinson | Disney | Keller | Smith, Maine |
| Biermann | Douglas | Kleberg | Smith, Va. |
| Boylan, N. Y. | Englebright | Kniffin | Taylor, Colo. |
| Brooks | Fish | Lea | Thurston |
| Buckler, Minn. | Flannery | Lewis, Md. | Tinkham |
| Caldwell | Gasque | Long | Tobey |
| Carter | Gray, Pa. | McGroarty | Towey |
| Clark, N. C. | Hancock, N. Y. | Palmsano | Wearin |
| Cole, Md. | Hartley | Phillips | Weaver |
| Collins | Healey | Powers | Whelchel |
| Costello | Hildebrandt | Reilly | White, Ohio |
| Cravens | Jarrett | Scrugham | Withrow |
| Dingell | Kee | Seger | Wolfenden |

The SPEAKER. On this roll call 378 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mrs. HONEYMAN. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and to include an address delivered by Hon. James A. Farley in Portland, Oreg.

The SPEAKER. Is there objection to the request of the gentlewoman from Oregon?

There was no objection.

COMMITTEE ON RIVERS AND HARBORS

Mr. DEROUEN. Mr. Speaker, I ask unanimous consent that the Committee on Rivers and Harbors may have permission to sit during the session of the House today on the bill H. R. 7365.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

DISCHARGE PETITIONS

Mr. PETTENGILL. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state his parliamentary inquiry.

Mr. PETTENGILL. Directing the Chair's attention to the Ludlow petition which now may be called up on the second Monday of next month, if it fails to be called up on that day, would it retain its privileged status on a subsequent second or fourth Monday?

The SPEAKER. The status of the matter is that it is on the calendar of motions to discharge committees. If not called up on the first date on which it would be entitled to be called up, it remains on the calendar subject to further call on the second or fourth Mondays of a month.

Mr. PETTENGILL. A further parliamentary inquiry, if the Chair will permit.

The SPEAKER. The gentleman will state it.

Mr. PETTENGILL. Assuming that the gentleman from Indiana, or some other signer of the petition, were to call it up, would a motion to postpone to a day certain, being a second or fourth Monday, be in order?

The SPEAKER. Under the rules, it would not. The Chair directs the attention of the gentleman from Indiana to the discharge rule which clearly sets out that no intervening motion may take place except one motion to adjourn.

Mr. PETTENGILL. I raised the point, Mr. Speaker, because it seemed to me that it would be very unfortunate both to the country and to the friends of the measure to have it called up at this time.

EXTENSION OF REMARKS

Mr. O'NEILL of New Jersey. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and to include therein a radio speech of my own.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. VOORHIS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and to include therein a radio address delivered by myself.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. ELLENBOGEN asked and was given permission to revise and extend his own remarks.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and to include therein a resolution of the Common Council of New Bedford, Mass., asking that everything possible be done to secure the passage of a resolution that I introduced regarding the cost of production at home and abroad.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

The SPEAKER. The gentleman from Tennessee [Mr. TAYLOR] has 2 minutes remaining of the 3 minutes granted him to speak out of order.

Mr. TAYLOR of Tennessee. Mr. Speaker, resuming where I left off when abruptly interrupted, if the Labor Committee will now bring in a wage and hour bill possessing some elements of soundness and sanity, evidencing some study and research into the ramifications of this vital and far-flung subject, the Congress will enact a wage and hour bill. But the vote last night clearly indicates that Congress is in no temper for half-baked and crackpot legislation.

Think of it, Mr. Speaker, when this bill came up for action under the discharge petition last Monday, to the consternation of the House, it was discovered that the measure had not yet been printed, and it was necessary, therefore, to postpone consideration until the following day. No one had the hardihood to admit its authorship. Emerging from the cave of the winds, this piece of legislative hybridism had no pride of paternity and no hope of posterity. These facts combined to naturally throw an atmosphere of suspicion around the bill and was largely responsible for the treatment it received at the hands of the Congress last night. Even Representative LAWRENCE J. CONNERY, successor and brother to the late illustrious William P. Connery, who was co-author of the original measure, voted to recommit the substitute for his brother's bill. [Applause.]

Mr. Speaker, the thing that doomed the substitute for the Black-Connery bill was the scheme which it provided to erect a huge bureaucratic Frankenstein to hamstring and strait jacket both labor and industry in this country. The workingman and his employer in the United States of America are not yet ready to bow down and chain themselves to this fascistic "body of death" imported from foreign lands.

This sad experience ought to be a lesson to the brain trusters that there is a limit to their arrogance and ambition to foist their socialistic dreams and panaceas on Congress with impunity and carte blanche nonchalance. I do not construe what happened last night as a partisan victory for the Republicans, but, rather, a victory for constitutional government itself. [Applause.]

Mr. SIROVICH. Mr. Speaker, will the gentleman yield for a question?

Mr. TAYLOR of Tennessee. I yield.

Mr. SIROVICH. I want my distinguished friend from Tennessee, for whom I have a personal affection, to realize that the battle for the emancipation of the inarticulate workingman who is being exploited through starvation wages has just begun. We will pass this humane and constructive legislation for minimum wages and maximum hours when the new session of Congress convenes in January. [Applause.]

Mr. TAYLOR of Tennessee. I shall be glad to join my distinguished friend from New York in support of any sane, sensible, and sound wage and hour legislation. [Applause.] [Here the gavel fell.]

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield 15 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Speaker, under date of November 27 the President sent a special message to the House which dealt with the question of housing. From that message I read this short excerpt:

It is estimated that an average of 6,000 to 8,000 dwelling units ought to be built annually over the next 5 years to overcome the accumulated shortage and to meet the normal growth in number of families; in other words, we could build over the next 5 years three or four million housing units which, at a moderate estimate of \$4,000 per unit, would mean spending from \$12,000,000,000 to \$16,000,000,000 without creating a surplus of housing accommodations and consequently without impairing the value of existing housing that is fit for decent human occupancy.

Mr. Speaker, therefore, in order to get the background of the meaning of these amendments to the Federal Housing Act which are now before us, we have to grasp the thought of the President wherein he suggests the building of some 4,000,000 plus homes in this country. When you consider the financing, insuring, and underwriting phases of this legislation, it may seem far afield, but it takes me to the underwriting duty which we have imposed upon the Federal Deposit Insurance Corporation wherein we carry insurance on

the deposits of some 16,800 banks throughout the country for the benefit of our people. In carrying this insurance and these deposits we must have in mind that the chairman of the Federal Deposit Insurance Corporation, in fact, insures the portfolios of those banks; that is, the bonds and other securities which are retained in the possession of the bank and which are purchased with the deposits which the people made in those banks.

This bill has to do with the type of securities which the banks hold, it has to do with mortgages, it has to do with debentures that may be issued by the national mortgage associations authorized to be set up under the provisions of this bill.

As I try to gather a concept of the fundamental meaning of this legislation it takes me into the realm of what might be termed monetary reform, or monetary legislation. In looking over a statement which was presented a few days ago by Mr. Szymczak, a member of the Board of Governors of the Federal Reserve System, he made this observation. He said:

As you know, there has long been a tendency to overemphasize the effect of monetary and credit factors on business. The more one surveys monetary history the clearer it becomes that what can be accomplished through monetary and credit measures by themselves is strictly limited. * * *

And then he proceeds to define some of the limitations which are imposed upon the Federal Reserve Board and he finally makes a conclusion in these words which to me are very significant in studying this measure.

He says:

But, of course, when the banks are superabundantly supplied with reserve funds from an outside source and therefore have little, if any, occasion to seek additional funds from the Federal Reserve banks, the discount rate and open-market operations as a means of credit regulation cease to be effective.

Prior to making this statement, one of the members of the Federal Reserve Board speaks of the three powers under which the Federal Reserve Board acts. That is, increase or decrease reserve requirements, participate in open-market operations or increase or decrease the rediscount rates. He says that the power to increase or decrease reserve requirements is very, very limited and we must recall that between September 1936 and June 1937 the reserve requirements of the member banks were increased some 100 percent. We also must bear in mind that within recent months the Board has participated in open-market operations. We must also bear in mind that the Board has maintained what we call easy-money rates, or easy money or easy credit, and that all ties into this picture which is now before us.

The Governor of the Federal Reserve Board, Mr. Eccles, in making a presentation under date of December 14, and referring specifically to the housing problem, had this to say. He had previously discussed what, in his opinion, had led up to the present business recession. He had gone into the matter of increasing or decreasing the Federal Reserve requirements, open-market operations, and rediscount activities. He had told about the inflationary spirit that gripped the people not only in this country but throughout the world, caused by several different steps that had been taken, one, heavy Government expenditures; two, bonus payments; three, the organizing campaign of labor calling for higher wages and shorter hours; and, fourth, the rearmament program throughout the world. That led to a sellers' market. Then followed the economic consequences, or what we might term the "secondary reaction" of our people to legislation such as the capital-gains tax, the social-security tax, and matters which have developed around the undistributed-surplus-tax application.

Then he goes on to tell about the fear that began to grip our people and sums it up by giving his conclusions, as I have stated, as to what has contributed mostly to the present recession. He stated:

An important factor in the arrested growth of buying by consumers was the failure of building activity to expand. There was every reason to expect residential building of substantial propor-

tions this year. The national income was running considerably above 1936. Rents were rising, and the accumulated housing shortage was growing more acute. As has frequently been pointed out we should be building an average of some 800,000 units a year for 5 years to make up for the shortages, to offset demolition, and to provide for the normal growth in the number of families.

This takes you directly back to the previous quotation from the President's special message to the Congress. Then the Governor has this to say:

Yet instead of increasing residential building it actually turned down in May and it is doubtful whether the number of units this year will much exceed 280,000.

In other words, instead of 800,000 we are building around 280,000.

The only explanation that can be offered to account for this disappointing showing—

Mind you, the Governor says "the only explanation"—

is the sharp advance in construction cost last spring while rents did not advance as rapidly, so that it became less profitable to build.

What does he mean when he says "less profitable to build"?

Based on my short experience in life, I come to the conclusion he meant, first, if you occupy a home for which you pay rent and the rent is less than the carrying cost of that home—made up of taxes, repairs, depreciation, and the natural hazard of ownership—you prefer to pay rent rather than own a home. It also means that if you have savings in the bank and at the same time own a home and you do not desire to build one for the use of some other person, that desire is not forthcoming because you do not feel you can secure an economic rent that would pay you to make the investment.

I repeat, he says the situation was such "that it became less profitable to build." That brings me down to this question: Do you believe, or do you find any record where a building boom has ever been caused by easy money or by a shortage of houses or by any reason on earth other than being profitable to build in order to escape paying high rents or in order to receive a fair return on your money from people to whom you rent after the building is completed?

Mr. Speaker, the position I take is that this bill will not stimulate a building boom until the economic situation comes to the point where it will be profitable for you to build in order to escape high rent or in order to be able to rent the completed home at a fair return for your money.

When Mr. Jones appeared before our committee during the hearings on this bill, I interrogated him in this manner:

Mr. Jones, you made two very brief observations which have been touched upon by Mr. Wolcott. One was that few applications had been made under the old housing procedure, "because of the hazards in the real estate realm."

Mr. Jones replied, "Yes."

I said, "I do not know whether you would like to elaborate on that a little bit," and he replied, "Mortgage bonds." I asked, "You have reference to mortgage bonds?" and he said, "Yes."

Then I asked him what he had in mind if this proposition did not work and lead to the stimulation of building, and he replied in substance that if this did not work, it was just as far as the Government could go. You will find this testimony on pages 51 and 52 of the hearings. In other words, he impressed me with the thought that he felt this was the point beyond which there was no use of the Government attempting to stimulate a building boom.

When Mr. Eccles, Chairman of the Board of Governors of the Federal Reserve Board, appeared before the committee I asked him some questions with reference to the monetary phases of this bill, because I was concerned and am concerned with how banks may use their excess reserves. When you go back to the statements of the gentlemen I have previously quoted you will find they take the position the power of the Federal Reserve Board becomes practically impotent when the banks have large excess reserves, because the member banks are then about as independent of the Reserve banks as you would be independent of a local bank if you had \$15,000 or \$20,000 in your checking account, with your bills all paid.

I wanted to find out from the Chairman of the Board of Governors of the Federal Reserve Board what the effect of this bill on the excess reserves of the member banks when they go to the national mortgage associations provided for by this bill and purchase debentures from the associations. Therefore, I made the following inquiries of Mr. Eccles:

Mr. CRAWFORD. This moves in a direction which does better enable the Board to control the flow of money somewhat, does it not?

Mr. ECCLES. No, no. This adds no mechanism whatever to the Board's control.

Mr. CRAWFORD. I should not say the Board's control, but when the banks take their present deposits and other banks take their present deposits and buy these debentures, it is equivalent directly or indirectly to the bank's making a loan to borrowers?

Mr. ECCLES. That is right, it would put new money into circulation.

Mr. CRAWFORD. That puts new money into circulation?

Mr. ECCLES. Yes; that is right.

Mr. CRAWFORD. At the same time, to that extent, it does enable the Board in the manner in which there are rules and regulations on the Banking Act, enables the Federal Reserve authority to somewhat control the flow of money into this particular undertaking?

Mr. ECCLES. Well, any member bank, or even nonmember banks, of the system can make these insured loans or can buy debentures. If they do not choose to make loans, they can buy debentures," meaning from the mortgage association.

Mr. CRAWFORD. If the banks proceed, then, to buy these debentures in that way, does it not at the same time put into operation a great amount of present excess reserves?

Mr. ECCLES. Well, some of it.

Mr. CRAWFORD. It would result in that?

Mr. ECCLES. That is right; it would tend to.

Then he gives these interesting figures: "For every \$500,000,000 of loans that were made"—keep in mind we are talking about building \$16,000,000,000 worth of houses—"they would use \$100,000,000 of the excess reserve out of \$1,000,000,000"; meaning that there are a billion dollars of excess reserves, in round figures, at the present time.

On that basis, if this program worked out in accordance with the way it is set up here, it would be only a very short time until all of the excess reserves would be utterly exhausted, and this calculation is based on the statements of the Chairman of the Board of Governors of the Federal Reserve Board. Then you would have to bring into operation another monetary reform of one kind or another to offset what developed under the operation of this bill, provided we erected the 800,000 homes per annum for a period of 4 or 5 years.

Mr. TRANSUE. Mr. Speaker, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Michigan [Mr. TRANSUE].

Mr. TRANSUE. When the gentleman was speaking about what Chairman Eccles testified, did he include any reference to the fact that our economy might be out of balance because of low wages paid to unorganized labor as well as because of high wages paid to organized labor?

Mr. CRAWFORD. If the gentleman from Michigan will secure a copy of the December 14 statement which Mr. Eccles delivered before the annual meeting of the American Farm Bureau Federation in Chicago, I think he will find a complete answer to that question. I have tried to assimilate this address, and it seems to me he takes the position that unless prices are brought down, as far as concerns the cost of both direct labor and of material—and the cost of material, after all, is made up almost entirely of labor—there is no possible way to escape further recession. This is the only conclusion I could reach. When you further take the statement made by Mr. Davis, another member of the Federal Reserve Board, and analyze it, you reach conclusions along the line of what the President stated to us in his message on this subject when he said, "Housing must be produced at prices, rates, and rents that the mass of our people can afford to pay."

In other words, take this bill as it is here presented with amendments, go out into the field and secure blue prints and quotations on the material necessary to build a house, and find out what you can do with reference to the cost of a house of five rooms with no basement, and all under the

situation which exists today. Here is a concrete illustration of a case in my own home town, and it will illustrate to you how this bill will work out to some extent.

Mr. TRANSUE. Mr. Speaker, will the gentleman yield further?

Mr. CRAWFORD. I am sorry, my time is almost up.

A modern five-room bungalow can be built in the city of Saginaw today for approximately \$3,800. This gives good construction, good materials, and insulation. It, of course, can be built for less or for more, according to construction specifications. This house would probably be built on a lot whose value would be approximately \$500, making a total investment of \$4,300. On the basis of a 90-percent loan, the lender would advance \$3,870 and the owner would have to have an equity of \$430. Under the laws of the State of Michigan, if this man were to move into his home and never pay a penny, he could live there approximately 20 months before he could be dispossessed. In view of the fact that he would have to pay at least \$40 a month rent for such property at this time, he would receive, in 20 months, rent equivalent of \$800. In other words, he would make an immediate profit of the difference between the \$800 rent benefit of the property and the \$430 he put into it, or a net profit of \$370, and he sells a lot to the Federal Government in the deal.

As the debate develops you will see how this will apply in many other ways.

Mr. REED of New York. Mr. Speaker, will the gentleman yield for a question?

Mr. CRAWFORD. Yes; I yield to the gentleman from New York.

Mr. REED of New York. Has the gentleman the index figures of the cost of material and labor in 1932 as compared with the present time?

Mr. CRAWFORD. I do not happen to have such figures where I can refer to them instantly.

Mr. SAUTHOFF. Mr. Speaker, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Wisconsin.

Mr. SAUTHOFF. In the example which the gentleman just gave, the gentleman referred to a lot worth \$500 and a bungalow erected at a cost of \$3,800, making a total of \$4,300.

Mr. CRAWFORD. That is correct.

Mr. SAUTHOFF. But there has to be a down payment, or he has to have the lot paid for.

Mr. CRAWFORD. You can borrow up to 90 percent, and as to the down payment, I gave the figures about that. I said he puts into the proposition 10 percent or \$430, but he lives in the house for 20 months and secures the equivalent of \$800 in rent. So he receives net \$370 over the period of 20 months and in addition to that has sold a \$500 lot to the Government.

Mr. FORD of California. Mr. Speaker, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from California.

Mr. FORD of California. Are we to assume that the gentleman is assuming that every man who wants to build a home is going to try to sell his lot to the Government and become a swindler?

Mr. CRAWFORD. Well, I am assuming that when you get into this phase of the question; in other words, go back and consider the houses built in this country from 1925 up to 1937, over a 12-year period and apply this housing law to that data on the basis of 80 percent first and then take the set-up on the basis of 90 percent and you will find the erratic fluctuations in the value of real estate in this country will completely wash out the equity of a 10 percent or even up to a 20-percent contribution by the borrowers.

Mr. Speaker, in no way would I attempt to indicate there will be an effort made to swindle. On the other hand, I recognize how utterly impossible it is to pay dollars for goods far beyond the income of those who are loaded with the obligation. This bill will encourage people—if it ever

swings into operation sufficiently to cause any real employment—to plunge in far beyond their ability to pay. It is just as disastrous to speculate on a marginal account which involves the purchase of a lot and building as it is to purchase and speculate on a small margin those stocks and bonds listed on the exchanges of the country. We are here providing the machinery through which the high-pressure salesman can do his dirty and destructive work and at the same time load the Federal Government with a burden of great magnitude when another real-estate crash comes. Who can furnish proof that "stabilized economy" has arrived?

It is reasonable to assume that if this mechanism provided for in this bill actually functions it will result in the depreciation of the market value of millions of homes throughout this country. The passage of this bill should serve notice on those who now own homes and who have their savings invested in life-insurance policies that more trouble, like that referred to by Chairman Jones, of the Reconstruction Finance Corporation, lies ahead in the real-estate market and mortgage field. There is every reason to believe the Federal Government will have serious trouble in disposing of the homes now being foreclosed on and taken over by the Home Owners' Loan Corporation. This type of financing will cause many people to go far beyond their means in building priced homes their income will not permit them to maintain. It is just as bad as unsound automobile financing. There is not a sufficient amount of money in the pay check with which to carry out the obligations on payment for a home and payment for the automobile. For every new home owner this type of legislation helps it is reasonable to assume from 5 to 10 present home owners will be greatly harmed. We are acting too quickly in the passage of this bill. The people who are to suffer its consequences have not had the necessary time to consider the far-reaching influences of the bill once they begin to operate.

Mr. O'CONNOR of New York. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

Mr. STEAGALL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 8730) to amend the National Housing Act, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 8730, with Mr. CELLER in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

Mr. STEAGALL. Mr. Chairman, it is the purpose of the majority members of the committee, and I am sure the purpose is shared by the minority membership of the committee, not to use the entire time allotted to us for general debate. We understand that Members are anxious to finish the consideration of this bill as soon as may be done. We appreciate the conditions that exist at the moment, and it is our purpose to undertake to accommodate the convenience of Members of the House by foregoing a portion of our time for general debate.

Mr. Chairman, this is the administration's housing bill. It should not be understood from this statement, however, that it is new legislation. The bill simply undertakes to clarify, liberalize, and extend the provisions of existing law and to enlarge the service and the benefits to be derived from that legislation.

There has recently been made an extensive study of the housing problem in the United States, and a report was made by a special committee, headed by Robert L. Davidson, director of housing research for the John B. Pierce Foundation, as chairman, and Peter A. Stone, Chief of Construction Statistics of the W. P. A., as director.

In their survey they analyzed housing needs on a regional basis and estimated that the country had fallen behind 1930 standards by 2,036,588 dwelling units, allowing 485,574 new units a year for normal replacements and population growth. It would be necessary to build at the rate of 1,503,853 units a year for the next 2 years to overcome the shortage by the end of 1939, according to this report.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield for a question there?

Mr. STEAGALL. I wish the gentleman would permit me to adhere to the purpose I indicated in order to save time, but I will yield for a brief question.

Mr. SIROVICH. I simply want to find out whether those figures apply to single homes or multiple homes or tenements or a combination of them.

Mr. STEAGALL. It applies to units.

The volume of residential construction dropped from an average of 3,504,000,000 a year between 1925 and 1930 to 1,202,000,000 in 1936, and an estimated 1,250,000,000 in 1937.

Thus while industrial production as a whole is over 90 percent of the 1925 to 1930 average, residential construction is only 34 percent of the 1925 to 1930 average, according to this report.

Mr. HOLMES. Mr. Chairman, will the gentleman yield for a question on that point?

Mr. STEAGALL. I am sorry, but if the gentleman will permit, I would like to make a further statement before submitting to inquiries.

Mr. HOLMES. I am wondering whether in the hearings there was any evidence brought out as to the reason for this reduction in view of the fact that industrial production was high.

Mr. STEAGALL. Of course, there are many things that enter into that consideration.

Mr. O'CONNOR of Montana. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. O'CONNOR of Montana. I simply want the gentleman's opinion upon this question. I got a letter from Billings that contains this paragraph:

With reference to the above-proposed legislation, will say it has come to our attention that under this program work will be laid down on a large scale, permitting contractors to buy large volumes of material at wholesale prices. If this is done we are wondering what is going to happen to the retail lumber dealers. It seems to us it would completely put us out of the picture.

Mr. STEAGALL. I do not know how to answer a gentleman who thinks it will hurt the lumber business to embark upon the building program outlined in this proposed legislation. I cannot see any reason for such an opinion.

Mr. O'CONNOR of Montana. I am referring to the retail dealers.

Mr. STEAGALL. And, of course, lumber people appearing before the Committee on Banking and Currency favored the legislation.

Now, Mr. Chairman, I want to proceed briefly without interruption if I may.

There are various purposes underlying this legislation. One is to stimulate trade in the very industries just discussed and in other industries that have to do with supplying materials for building construction. It looks toward an increase in employment. It is designed to assist the general economic situation, and to aid in arresting recent unfavorable developments in our economic affairs.

In addition to that, Mr. Chairman, there is the social side of the matter, and to me the most important of all is the purpose to increase the construction of homes, and as far as the ownership of homes may be promoted and stimulated by legislation of the Federal Government, to undertake to revive home ownership, and to promote individual initiative and sacrifice of citizens in the effort to become home owners. Nothing can mean more to the stability of our institutions and to wholesome social conditions in this Nation than to enlarge independent home ownership for the

families of the land. A great orator once said that the man who kindles a fire upon a free and independent hearthstone burns the best incense to liberty. It is in that spirit that this legislation is brought before the House, and it is the accomplishment of those ends that we contemplate by this proposed measure.

Mr. Chairman, under the original National Housing Act, title I provided for the insurance of loans for alterations, repairs, and improvements to homes and real property. The act was amended to allow insurance of loans for the installation of equipment and machinery. Loans for repairs originally were limited to \$2,000 face amount in order to be insurable, and provision was made for loans for construction through additions to improved real property. Later the bill was amended so as to permit the insurance of loans for the purpose of financing alterations, repairs, and additions on real property already improved by apartments, multifamily houses, hotels, office, business, and other commercial buildings, schools, hospitals, churches, and manufacturing or industrial plants up to the amount of \$50,000. The authority to insure under this title expired on April 1, 1937. The present bill revives title I to permit insurance of loans not in excess of \$10,000 for alterations, repairs, and improvements upon urban or rural property, eliminates the eligibility for insurance of loans covering equipment and machinery. Loans for construction of new homes and other new structures are eligible for insurance if the amount of the loan does not exceed \$2,500. Under this title of the bill approximately \$560,000,000 of loans were insured.

One hundred and fifty million dollars, approximately, of those loans have been repaid. The total liability of the Federal Housing Administration for the insurance on such loan was fixed at a maximum of \$200,000,000. That maximum was later reduced to \$100,000,000, which is the maximum provided under the present bill. That, in brief, covers title I of the bill.

Title II of the original act provided for the insurance of mortgages on real property with a dwelling for not more than four families, with obligations not in excess of \$16,000, and upon a basis of 80 percent of the value of the property covered by the mortgage. The rate of interest on all insured mortgages is fixed at 5 percent by the Housing Administration. Under title II a service charge was permitted and an insurance fee not to be in any case in excess of 1 percent nor less than one-half of 1 percent.

Mr. LANZETTA. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Not now. Under the present bill, homes and multifamily dwellings are eligible for insurance to 80 percent of the value of the property, and an assessment of one-half of 1 percent insurance fee. Under section 203 of title II the bill is amended so as to promote insurance of single family residences to the extent of 90 percent of the value of the property covered by the mortgage.

The assessment fee is reduced, and a rate of one-quarter of 1 percent for the insurance premium charges added to the 5-percent interest rate fixed, makes the interest rate five and a quarter percent on the smaller homes. This 90-percent provision applies to loans up to \$5,400. For instance, a borrower wants to build a \$6,000 home. He pays down 10 percent and gives a mortgage for \$5,400, and the insurance on that mortgage will cover 90 percent of the appraised value of the property, and the premium charge will be one-quarter of 1 percent. A further amendment to that section provides that on a property in excess of \$6,000 in value, and not in excess of \$10,000 in value, the first \$6,000 is dealt with as if \$6,000 were the total limit of cost, but between the \$6,000 and the amount, whatever it may be, between that and \$10,000, and not exceeding \$10,000 is characterized as a larger loan, and the insurance fee is made one-half of 1 percent, and the amount of the loan insurable for the excess is on an 80-percent basis, which means that on a \$10,000 home under this provision the insurance would be to the amount of \$8,600.

Mr. MOTT. Mr. Chairman, does the gentleman desire to yield for questions at any point in his discussion?

Mr. STEAGALL. Mr. Chairman, if the gentleman will permit, I want first to finish my brief statement and then I shall be glad to yield a little later. Under the original act, in section 207, provision was made for the insurance of mortgages on low-cost housing projects or property of Federal, State, or municipal housing authorities, or limited dividend corporations, the amount of insurance on any such property being limited to \$10,000,000. The insurance granted on the basis of 80 percent of the cost, and with a rate of one-half of 1 percent for the insurance premium. That section is amended by this bill so as to reduce the maximum amount of the insurance to \$5,000,000 on any one property or project, and the premium and the 80-percent basis are the same as indicated with existing law.

This amendment of section 207 permits the insurance of construction loans and in lieu of the indefinite standard that such corporations or instrumentalities must have been formed for the purpose of providing housing for "persons of low income" the amendment substitutes a limitation on the amount of the mortgage, which is fixed at \$1,200 per room for that part of the construction attributable to dwelling use. The section is broadened to include associations or trusts as eligible mortgagors, provided they be restricted in like manner as corporations. The insurance of mortgages under this section is separated from the insurance of mortgages on small homes under section 203, and for such purpose there is created a separate fund known as the housing fund in the sum of \$1,000,000, which is transferred to create such fund from appraisal fees collected by the Administrator. Debentures may be issued upon the assignment of the mortgage after default rather than requiring the mortgagee to foreclose the mortgage and convey the property to the Administrator as a condition precedent to receiving debentures, as is the case with respect to small home mortgages. Tax exemption privileges are granted to debentures issued against said housing fund to the same extent as those issued against the mutual mortgage insurance fund.

This amendment is not restricted to limited-dividend corporations or to public-housing authorities as in existing law, but extends insurance benefits to other associations and trusts holding such properties. Another amendment authorizes the Administrator to insure mortgages, including advances thereon during construction, covering property upon which there is to be constructed one or more multifamily dwellings or a group of not less than 25 single-family dwellings, provided that the property must be approved for mortgage insurance prior to the beginning of construction. Mortgages under this section must be in excess of \$16,000 but not in excess of \$250,000, shall not exceed 80 percent of the Administrator's estimate of the value of the property when completed, and are limited to \$1,000 per room. Debentures in payment of insurance contracts issued under this section are liabilities of the housing fund but are to be issued only upon foreclosure of the property and conveyance to the Administrator in the same manner as provided with respect to individual home mortgages.

Title III of the original act sought to establish national mortgage associations. Under the act a national mortgage association was required to have a capital of \$5,000,000, privately subscribed. Later that provision was amended so as to authorize the organization of such associations with a minimum capital of \$2,000,000. No such associations were organized. To meet the situation, the bill before us provides that the Reconstruction Finance Corporation may subscribe to the capital stock of national mortgage associations to the extent of \$50,000,000. An association may be organized with a minimum capital of 25 percent paid in, but it cannot issue any debentures until the entire capital stock is paid in full. Those associations would be permitted to expand their capital 20 times the amount of original capital and surplus, by issuing debentures and obligations, but in no event would the

debentures be issued except against mortgages held by the national association and insured by the Federal Housing Administration. The debentures of the Federal Housing Administration that are employed for meeting delinquencies on insured mortgages are tax exempt. The debentures and capital of national mortgage associations are exempt. Real property of such association is taxable to the same extent as other real property.

Statements have been made to the effect that this measure would cover a \$16,000,000,000 program. I wish to call the attention of the membership of the House to the fact that \$2,000,000,000 is the limit of insurance that may be extended under this act, except as to title I, and that is limited now to \$100,000,000, the greater part of which has been exhausted.

This bill is not offered as a panacea or a cure-all, but it is offered upon the best possible advices from various interests experienced in business of the type involved in the legislation, and verified by the experience of the Federal Housing Administration, gained during the time of their operation under the existing law. We do believe that this is the cheapest and most practical method by which the Federal Government can stimulate private investment in home construction in the United States. I believe that great and substantial benefits will result from this legislation, if administered as we have every right to assume it will continue to be administered—intelligently and constructively.

Mr. Chairman, I reserve the balance of my time.

Mr. BEITER. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman for a question.

Mr. BEITER. I have carefully read the bill and the report of the committee. The chairman has very clearly explained the bill and has cleared up a great many points, but I fail to find any place in the bill or in the committee report where the mortgage tax and cost of running down a search of title is provided for. In my district the average is about \$150 to run down a search of title and take care of the mortgage tax and the incidental expenses in connection with the transfer of a title. That \$150 spread is just what will prevent a man from closing a deal in a great many instances, as it has in the past.

Mr. STEAGALL. Of course, you understand that it is not possible by any Federal act to deal with the conditions in the 48 States of the Union, and regulatory laws touching matters suggested in the gentleman's inquiry, such as interest rates and other charges. But we clothe the Federal Housing Administration with power and the duty to look into all these matters and apply a common-sense test for every mortgage insured and every institution insured, but those charges are incidents in the mortgage field. They have always been and will be one of the burdens that borrowers have to bear.

Mr. BEITER. This is what I have in mind: If a man has a house costing in the neighborhood of \$6,000, the Government insures it up to 90 percent. Now, there is just that difference in spread, probably in that 90 percent, that will prohibit him from building or constructing his own home.

Mr. STEAGALL. Yes. There will be many people who want to build houses who cannot do it under this law, but I do not think anybody has thought yet that the Government should undertake to see that every man in the Nation should be able to purchase a home. We have gone a long way, when we insure up to 90 percent, and when we fix the interest rate on those mortgages at 5 percent. We hope it will bring substantial increase in construction and individual home ownership.

Mr. LANZETTA. I am deeply interested in the construction of multiple-dwelling houses in cities. Will the gentleman from Alabama, the chairman of the committee, explain how the limitation of \$1,000 per room will affect the construction of multiple-dwelling houses?

Mr. STEAGALL. In one instance we placed it at \$1,200. The original language under section 207 of the Housing Act was intended to insure "the low-cost rental" character of the structure; but that language was so vague and indefinite

that the Administration asked that we change it, which we did and fixed the limit at \$1,200 per room. Under the other provisions for large-plan construction, with loans insurable up to \$5,000,000,000, a \$1,000 limitation is placed on the cost of each room. This is an arbitrary figure; some have one view and some another. The limit set seemed to be the best that could be done.

Mr. LANZETTA. Mr. Chairman, will the gentleman yield further?

Mr. STEAGALL. Certainly.

Mr. LANZETTA. Does not the gentleman think that the \$1,000 limitation should be removed so as not to hamper the construction of multiple-dwelling houses in the cities? I see no reason for placing a \$1,000 or \$1,200 limitation in the bill, inasmuch as the builders themselves would be interested in keeping the cost per room as low as possible.

Mr. STEAGALL. The purpose of the bill is to try to build houses for and to take care of those citizens in the country who are not equipped to take care of themselves as are more fortunate citizens. If you take off all limit, you defeat the purpose of the legislation.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. SIROVICH. I appreciate the splendid work the gentleman from Alabama, chairman of the Committee on Banking and Currency, has been doing in trying to provide low-cost homes through this bill. Will the bill as it now stands enable the building in the city of New York and other cities of homes for about \$4,000 or \$5,000 for the undernourished, the underprivileged, who cannot pay more? Will it provide for the building of new tenements to replace the slums in New York City?

Mr. STEAGALL. Undoubtedly it will.

Mr. DEMUTH. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. DEMUTH. The bill provides certain charges. In Pittsburgh the charges in the matter of real estate and building are pretty well standardized, but the pending bill introduces others, and I do not like to see such ideas put into the heads of the bankers. For instance, under the rules of the Housing Administration they have a great deal of latitude, and there is a service charge of 1 percent. The bill provides an additional one-half percent.

Mr. STEAGALL. What we are talking about is insurance.

Mr. DEMUTH. This 1-percent service charge will not be eliminated. They also initiated the new practice of compelling the mortgagor to pay 1 year's taxes in advance. This is considerable of a detriment to new home owners.

Mr. STEAGALL. There is no 1-percent service charge in this bill.

Mr. DEMUTH. Not in this bill; but the Administrator puts it on under rules and regulations, and the buyer has to pay it.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. MOTT. Will this bill authorize the insurance of mortgages on homes built in the country—not necessarily farm homes but country houses?

Mr. STEAGALL. Yes; it does.

Mr. MOTT. Would the gentleman point out the language in the bill that provides that, aside from title II, which deals with loans for improvements?

Mr. STEAGALL. There is nothing to keep a farmer from having a loan that can be insured under this bill any more than there is any man living in any city in the country. It is a question of the property, its uses. Other things, of course, enter into the question of eligibility, but it is not limited to the city dweller. In title I of the bill where we provide for the insurance of loans on small houses, thousands and thousands of homes have been built throughout the rural sections of the country and insured under the provisions of the bill.

Mr. MOTT. Will the gentleman yield further?

Mr. STEAGALL. Certainly.

Mr. MOTT. Many people have made inquiries of me and I would like to be able to answer them. I understand from the language of title II on page 6 of the report that a loan if made on urban property or for the alteration and repair of property would be eligible; but I am not able to find any place in the bill, any sections or provisions, which makes eligible a mortgage for the complete building of a new house in the country. I have had some inquiries about that from people who want to build houses in the country and I want to be able to tell them the answer. I call the chairman's attention to the fact that in the original bill, the one which this amends and supersedes, a mortgage upon rural property was not eligible for insurance, and the Administrator so ruled.

Mr. STEAGALL. Generally speaking, there is no such restriction in this bill.

Mr. MOTT. There is not?

Mr. STEAGALL. No.

Mr. O'CONNOR of Montana. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. O'CONNOR of Montana. I have had the same sort of inquiries as the gentleman from Oregon has just recited.

Mr. STEAGALL. There is no such restriction in the bill.

Mr. O'CONNOR of Montana. I am satisfied with the gentleman's answer provided there is no restriction against the farmer.

Mr. STEAGALL. Not a bit; but, understand, under this act you cannot go out and insure a plantation of 10,000 acres, 5,000 acres, or 1,000 acres or any farm as such.

Mr. O'CONNOR of Montana. We want to insure only the mortgage on the building, not the land used in agriculture.

Mr. STEAGALL. There is nothing in this bill that prohibits insuring the mortgage on a building.

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. LEAVY. I am wondering what effect this bill will have on savings banks and savings and loans societies; will it be an aid to them in lending their moneys or would it be a detriment?

Mr. STEAGALL. It would undoubtedly be helpful.

Mr. LEAVY. In my district they are generally protesting this legislation.

Mr. STEAGALL. Some are and some are not.

Mr. MASSINGALE. I would like to be advised by the chairman of the Committee on Banking and Currency if there is a minimum limit on loans on buildings to be constructed in rural areas. That is, do you have to have a house costing so much?

Mr. STEAGALL. There is not any minimum in this bill. The only limit is on the maximum.

Mr. MASSINGALE. Then if a farmer wants to build a house costing \$2,500 he would be eligible?

Mr. STEAGALL. Yes; and he is not limited to \$2,500 except under title I, which contemplates small loans. That is dealt with in a different category and involves a 5-year maturity plan separate and apart. The average loans made under that title are comparatively small, which puts them in a different category.

Mr. MASSINGALE. May I ask one more question? The gentleman stated a moment ago this program would eventually involve the Government to the extent of \$16,000,000,000.

Mr. STEAGALL. Oh, the gentleman is entirely mistaken. I was attempting to correct the impression that this bill involves a \$16,000,000,000 program. I undertook to say that that idea was erroneous. The limit on all that may be done is \$2,000,000,000.

Mr. MASSINGALE. I appreciate the gentleman's statement.

Mr. SMITH of Connecticut. Will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from Connecticut.

Mr. SMITH of Connecticut. The debentures issued under title II of the original act were exempted from taxation only

to the extent that the mortgages were exempt. I notice they are now made exempt from taxation without regard to whether the mortgages are exempt.

Mr. STEAGALL. That is right.

Mr. SMITH of Connecticut. Since those are debentures which will be guaranteed by the Government—

Mr. STEAGALL. That is the reason for the exemption.

Mr. SMITH of Connecticut. They are not sold on the market. They are issued and exchanged for defaulted mortgages.

Mr. STEAGALL. But not limited to that.

Mr. SMITH of Connecticut. The debentures under title II are.

Mr. STEAGALL. Anybody may own them. They are issued to discharge insurance liability, but anybody may own one of them.

Mr. SMITH of Connecticut. They may be sold?

Mr. STEAGALL. Certainly.

Mr. SMITH of Connecticut. Why should they be exempted from taxation?

Mr. STEAGALL. For the simple reason they are guaranteed by the Treasury of the United States. That revives the whole question of tax-exempt securities on which I have some very definite views, but I do not feel that question should be discussed at length in connection with this legislation. All the talk that is heard here about terminating the issuance of tax-exempt securities by the Federal Government comes from people who evidently have not thought the subject out properly, or, possibly it may be somebody who is talking for political effect.

The Federal Government will never be foolish enough to hamper itself in the right to borrow money or to issue its securities. The Federal Government will never be foolish enough to take money out of one pocket and put it in the other, especially in view of the fact there will be lost motion in the transaction that involves losses to the Government.

Mr. SIROVICH. Is there any limit to which any individual may purchase debentures?

Mr. STEAGALL. Not at all. Mr. Chairman, I reserve the balance of my time.

Mr. WOLCOTT. Mr. Chairman, I yield myself 30 minutes.

Mr. Chairman, there probably has not been any more important legislation brought before this House in the last two sessions of Congress than the pending bill. This bill is ever so much more important to the country than the farm bill and is ever so much more important than the wage and hour bill. In view of the interest shown in the farm bill and in the wage and hour bill, I realize that is a rather broad statement to make; but, after all, the wage and hour bill did not involve a fundamental question which affected our entire economy. The farm bill did not involve an economic question which affected our entire economy.

The housing bill which we are considering today is fundamental in that its passage will dry up the source of credit which is necessary to bring the country out of a depression and is probably the single influence which could do that if we approached the subject intelligently.

I gather from the President's message that he is somewhat concerned about the present depressed condition. I understand also that he has seen the need for giving encouragement to business in order to provide credit to substantiate a new prosperity. He says in his message as follows:

The proposals which I am presenting for your consideration now are an important part of the program for increasing general business activity and employment during the coming year.

This bill might not be considered the panacea, but it has unfortunately been hailed throughout this country as the one bill which would bring the country out of the doldrums and create a credit for home construction, intended to create a boom in building which would cause a business boom. Now, building booms, according to all the economists and leading financiers and people who have studied this question very closely, do not cause business booms. They follow and

are incidental to business booms because the elements which are influential in causing people to build homes are existent when we have business booms and they are not apparent in periods of depression.

Those elements may be summed up somewhat as follows: First, the desire of the individual to build. Second, that the rents of rented property are forced up to a point where it is economically feasible for a man to build his own home.

The third influence is that there is some reasonable assurance of a more or less constant income by which the home purchaser or the home builder may meet his amortization payments.

Accompanying every business boom there is an impelling desire to spend and convert cash into commodities, whether such commodities are in the form of homes or automobiles or furniture. In periods of depression these influences are not apparent, and for this reason building booms do not cause business booms, but business booms cause building booms. We start out on that premise in the consideration of this bill in opposition to the philosophy and the economy announced by the President.

The President is absolutely right when he states that encouragement must be given to the creation of private credit. I hope to show those of you who have taken the trouble to come here this afternoon that this bill is the direct antithesis of what the President hopes to accomplish. I know this bill has been heralded throughout the United States as something which is going to be helpful to business, because it will promote the construction of homes, and helpful to employment in the building trades. I believe I can prove to you before I get through that instead of being helpful to business it is the most harmful influence we can possibly consider. Further, this bill, if enacted, will do more to cause unemployment in the building trades than any other single influence we have to consider on the floor of the House.

In the face of such potentialities there is a bare majority in this Committee today to give consideration to this bill. I doubt whether the 100 who are necessary to constitute a quorum in the Committee of the Whole House on the state of the Union could be found on the floor today. I have been talking for 2 weeks to the members of the Committee on Banking and Currency, yet if we deduct from the gathering here this afternoon the members of the Committee on Banking and Currency, who have already heard this story, we would, perhaps, have a bare 35 or 40 other Members of Congress here.

Further, I am given to understand that all of 30 Members of Congress have left for their homes for the holidays and have left pairs with the pair clerk, indicating their desire to be recorded in favor of this bill, without knowing or realizing what they are doing. I believe if they realized this bill was actually drying up the reservoir of credit which is essential to home construction, and if they realized this bill was designed, although perhaps not primarily, to set up a Government agency, or perhaps I should say a semi-Government agency, which would come in direct competition with private lending—a paradox in view of the announced wishes of the President—they would insist upon being here and would take as much pleasure in defeating this most pernicious piece of legislation as they did on last evening in defeating the wage and hour bill. I say this because I am firmly convinced this bill is of tremendously greater importance to this country than the wage and hour bill or the farm bill.

Mr. O'CONNOR of Montana. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. Let me proceed, and I will yield later. The President states in his message:

From the viewpoint of widespread and sustained economic recovery, housing constitutes the most promising single field of private enterprise.

If housing does constitute the largest and most promising single field of enterprise, then we, of course, should give en-

couragement to the investment of private capital in that enterprise which probably has more effect upon our prosperity than any other single influence.

We have established under the Federal Housing Administration an economy which presupposes the lending of money by private enterprise. Whether such private enterprise or private lending institution be a bank, a trust company, an industrial bank, a building and loan association, a savings bank, or a credit union, the success or failure of any housing plan depends entirely upon the reaction of the lending institutions to such a plan, and it depends upon how attractive we make investments in real-estate loans. I say this with the full knowledge that many of you are going to say, "Well, the gentleman is speaking for and on behalf of the banks of the Nation." I do not have to speak for the banks of the Nation, as they are capable of speaking for themselves. I am addressing myself to the merits of this bill. You have already set up the machinery for this bill. You have already created the condition which makes the success of this plan contingent upon whether the banks will or will not lend the money. In considering this bill we must not lose sight of the fact that the Government makes no loans. The banks make the loans, and when I say "the banks" I mean all of these financial institutions. The Government merely insures the loans. Therefore, if the banks will not lend the money, we dry up the source of credit which is now available and can be made permanently available for home construction.

Let us go to the source, then, and find out what is the reaction toward this bill of the people on whom we are depending for its successful operation, the banks. As representative of that class, I believe we can start with those who speak on behalf of the administration, Mr. Jesse Jones, Chairman of the Reconstruction Finance Corporation, and Mr. Marriner Eccles, Chairman of the Board of Governors of the Federal Reserve System.

Have in mind that these mortgages yield to the banks a gross of 5 percent. Have in mind that good, long-term Government securities, the better class of municipal securities, and most all first-class industrial securities, have a gross yield on the average of about 3 percent. The baby bonds we are now selling will yield 2.9 percent. The long-term bonds and the long-term obligations of the Federal Government will yield an average of about 1 point less than 3 percent. Therefore, we have a spread of 2 percent between the yield to the banks on Government or F. H. A. insured mortgages and the yield on Government obligations.

You say that such a spread should be an encouragement to the banks to lend, as the loan is insured. It is insured, but before this assurance may attach, before benefits may accrue to the banks, and before the banks may be paid the debentures of the F. H. A. bearing 3 percent, they must foreclose the mortgage, they must administer the mortgage, they must make their own appraisals before the mortgage is granted, they must take a certain amount of depreciation on the property during the period which the mortgage is in operation, they must keep records, they must segregate the amount of the amortization, they must make the interest charges, they must supervise the fire and tornado insurance, they must supervise the payment of taxes, and they must inspect the property periodically for waste or unnatural depreciation. Further, they have bookkeeping expense, the possible expense of collection, and the foreclosure expense over and above \$75, as we will write the provision into this bill. They must assume the title risk. They have only this 2-percent spread upon which to work on all of these things. None of these things needs to be done when a bank puts into its portfolio a Government bond bearing 3 percent in place of an insured mortgage paying 5 percent.

Is this spread sufficient to induce them to take the risk? Mr. Eccles says, with respect to decreasing the interest amount lower than 5 percent, and I quote from the hearings:

I think that would defeat the program completely. I think you would find no institution willing to make a loan. They would much prefer to go out and buy these readily marketable securities

that yield 3½ percent—and some are very good that yield 4 percent. That involves no onus of foreclosure, no trouble of monthly payment plan, no expense of absorption of foreclosure. Even with the 5½ percent the F. H. A. has had there have been far less than possibly half of the lending agencies that could qualify that have qualified.

This is from the Chairman of the Board of Governors of the Federal Reserve System. He appreciates that the banks are approaching such a narrowing of the differential between what they can buy a good government for and an insured mortgage that they will shy away from the mortgage market.

Now, Mr. Eccles says further:

Mr. WOLCOTT. But does not the success of this bill depend largely on whether the banks are attracted to this form of investment?

Mr. ECCLES. Whether the lending institutions are attracted.

Mr. WOLCOTT. When I say "banks," I mean all institutions which invest in F. H. A. mortgages.

Mr. ECCLES. Yes; you have the national banks and the State commercial banks, the mutual savings banks, life-insurance companies, and the building and loan companies, and those are the line of institutions that are engaged in the business or can make real-estate mortgages on homes.

Mr. WOLCOTT. How much of a spread must there be between the interest paid on Government obligations and interest paid on real-estate loans in making these loans attractive for investment by bankers?

Mr. ECCLES. Well, of course, they are not in competition only with Government obligations. You have many other forms of investments.

Mr. WOLCOTT. Industrial and municipal?

Mr. ECCLES. Yes.

Mr. WOLCOTT. I had in mind this: Allowing for carrying charges, administrative costs, depreciation, and foreclosure costs, what would the spread have to be to make this kind of investment equally as attractive as a Government obligation or obligation insured by the Government?

Mr. ECCLES. I think that the 5 percent is pressing it right down to the limit at the present time.

Now, Mr. Chairman, we are not only pressing it down to the limit at the present time in this bill, but we are letting this 5 percent carry the load. The service charges are cut out of this bill. The banks realize that. At the same time we increase the obligation we reduce the interest rate making this class of investment that much less attractive to the banks upon whom we are directly dependent for the success of this plan.

Mr. PETTINGILL. What is the interest rate?

Mr. WOLCOTT. Five percent. A quarter of 1 percent is the premium. The premium at the present time on these buildings of less than a valuation of \$6,000 is one-half of 1 percent; and this is perhaps incidental, but it is an influence on the attitude which the banks take toward these loans. We have in the mutual mortgage insurance fund, according to the testimony given by Mr. McDonald, before the Appropriations Committee as late as yesterday, the following amounts:

In the mutual mortgage insurance fund \$225,573.13;

In the general reinsurance account, with which I am not familiar, \$15,017,806.04;

In the group accounts, with which I am not familiar, \$6,557,844.17.

A total in the fund against all of the contingent liability amounting to \$1,329,000,000, the amount of \$21,801,223.34.

In other words, against a contingent liability of over \$1,329,000,000 they have a reserve to pay losses and to carry that contingent liability of only \$21,801,000, and it has cost the taxpayers of this country up to the present time over \$51,000,000 to administer this mutual mortgage insurance fund.

You increase the risk that the mutual mortgage fund has to pay, but at the same time you reduce the premium rate. I am not an insurance man, but I have bought some insurance, and I know that a man 20 years of age can get life insurance cheaper than a man 80 years of age, because the risk on the man of 80 years of age is greater than on the man 20 years of age, but we are increasing the risk from 80 percent to 90 percent and at the same time reducing the amount of the mutual mortgage fund, which gives the banks the jitters, for this reason: They sense the fact that they can-

LXXXII—117

not rely even now upon the mutual mortgage fund to pay any losses which they may have. They see an increase in risk and a decrease in premium rates in the face of this situation.

Mr. Chairman, it is a perfectly asinine economy, and it is one of the influences which is causing banks to shy away from this class of paper and defeating the very purposes of this bill.

I asked Mr. Eccles, again, on page 84:

Mr. WOLCOTT. The purpose of this bill is to produce home construction by reducing the down payment.

Mr. ECCLES. Yes.

Mr. WOLCOTT. And the success of that depends on whether it is attractive to the banks.

Mr. ECCLES. Attractive to lending institutions, and as I said a moment ago, a great many will not be interested. They have not been up to date. The mortgage association, however, will tend to cause agencies to be set up, mortgage companies of various kinds, that will loan money and sell the debentures of the mortgage association. I think that in turn will tend to bring the lending institutions in the community to the point where in order to get business they will buy it against competition that will induce them to make these loans where otherwise they would not.

Mr. Fleming, the president of the Riggs National Bank of Washington, and lately president of the American Bankers Association, upon the members of which we are relying for the success of this plan, has this to say, reading from page 144 of the hearings:

This type of loan is quite different in its cost of servicing than a pure commercial loan, even an individual loan, or a collateral loan. To begin with, in many cases the individual who wants a Federal housing loan is not a customer of the bank, or, if so, he has never applied for credit before, and, to begin with, you have to make a pretty thorough credit examination. Then of course there is the interview with them, which takes a good deal longer time than does an agreement on a commercial loan or on a collateral loan. In addition to that, you must make your settlement, usually through a title company. That means drafting instructions to the title company, figuring out the schedule, and advising the borrower as to what that schedule may be. Now after all that is done you come down to these monthly payments which require a good deal of accounting in your own institution, because of the required segregation of the various items included in the payment. For instance, the principal payment must be separated from the interest payment; the insurance must be separated and credited to an account which is paid over monthly to the Federal Housing Administration. Taxes must be separated, and also fire and windstorm insurance must be paid. In addition to that, where there has been a change in the tax rate, or where there has been a change in the valuation of the property, there must be a readjustment of the schedule, and again readjustment of your books, as well as advices to your borrowers so that they in turn may make their payments accordingly.

He goes on further to say:

I failed to mention, when I was describing the costs of the loan, that, of course, most institutions that handle any volume of this business also have to make, and do make, their own appraisals, which is no reflection on the Federal Housing Administration but is a desirable thing for any sound institution to do. It is doubly checked. That, of course, again adds to the expenses and time of taking and making this type of mortgage.

I bring these matters up from these people because they are the people upon whom we must rely for the success of the plan. On page 154 Mr. Fleming goes on to say in response to questions:

I think it would be the quickest way, even at the expense of reiteration, if you will tell us if there will be any additional inducement on the part of banks to make loans, if this bill is passed.

Mr. FLEMING. No; you are correct in the last question, sir, that I do not believe it is an additional inducement.

On page 155 he says further, in answer to questions:

Mr. WOLCOTT. If I may inject a thought there, you advise caution on that interest rate because you think we are approaching perhaps a twilight zone?

Mr. FLEMING. That is right.

Mr. WOLCOTT. In which we would possibly dry up this credit that is furnished by the loaning institutions for this purpose—the purpose of the act?

Mr. FLEMING. I think there is danger in doing that.

On page 155 Mr. Fleming goes on further to say:

In my judgment, as I stated some little time ago, I do not believe that if this act were passed tomorrow it would immediately start a resumption of building or of desire for home ownership. I think that has got to wait; but in answer to your question as to whether

there is any provision in here that would be a betterment from the standpoint of a home owner—and I believe it is mainly in the lower-income groups that you have got to find your field here—

Mr. WOLCOTT (interposing). I was not speaking particularly with reference to betterment to the home owner. I realize, of course, the home builder is going to benefit by having to pay in only 10 percent, although there is some question but that the increase in the monthly amortization costs will not offset that in that manner, but that I want to be careful about in this act is that in our zeal to benefit the home constructor we do not dry up—

Mr. FLEMING (interposing). The flow of money.

Mr. WOLCOTT (continuing). The source of credit which makes it possible for him to build.

Mr. FLEMING. That is right.

Further, on page 157, in response to a question of what the effect would be when we increased the obligation at the same time we decreased the interest rate:

I think there is a retarding influence in the reduction of the rate.

I think there might be in the change of rate some retarding influence, but I think if the volume started we would take care of it.

There is just one more thing that I want to call attention to and then that will be all. I refer now to page 162 of the hearings. Mr. Frank C. Ferguson represented the New Jersey banks before the hearings. I quote from the testimony:

The CHAIRMAN. Do you think the change suggested by the Administration will operate to deter bankers from entering that field of investment?

Mr. FRANK C. FERGUSON. That is our thought; yes, sir.

Mr. Chairman, these are excerpts from testimony of men on whom we are depending to put this plan through. Mr. Ferguson, on page 170, goes on further to say in answer to questions:

Mr. WOLCOTT. Maybe I have misunderstood your statement, then. You said that the 10 percent was less attractive than 20 percent. You would hesitate to make loans on 10 percent?

Mr. FRANK C. FERGUSON. No; you misunderstood me. Are you talking about the act as it is exactly now written?

Mr. WOLCOTT. No; as proposed.

Mr. FRANK C. FERGUSON. Oh, then my answer was wrong to you.

Mr. WOLCOTT. I assumed that you were in opposition to raising the amount of the obligation and reducing these interest rates.

Mr. FRANK C. FERGUSON. That is right.

Mr. WOLCOTT. The reason your bank would hesitate to make these loans?

Mr. FRANK C. FERGUSON. That is right.

So the banks of New Jersey will hesitate to make the loans if this bill is passed. Dr. Hughes, president of the Washington Irving Trust Co., of Tarrytown, N. Y., which has invested in five and a half million dollars of F. H. A. paper, as contrasted to two and a quarter million dollars which the Riggs National Bank of Washington has, has this to say as to the effect of this bill on the attitude of the banks:

It has also been our experience that it is much more difficult to sell mortgages on houses under \$6,000 than on those over \$6,000.

I firmly believe that if the risk is increased and the rate of return lowered this market will dry up. The return that these investors will receive in comparison to tax-exempt bonds will not be sufficiently attractive to offset the risk involved in the additional bookkeeping.

It has been our observation that houses in this community sold well until business started to drop off. Lack of confidence in the future and the high cost of labor and materials slowed up building rather than the cost of finance or down payment.

I believe that the interest rate in comparison to tax-exempt bonds is not sufficiently attractive, if you reduce it any more, because of the additional risk and the additional amount of bookkeeping required on F. H. A. mortgages.

My files are literally full of letters from bankers, from building and loan associations—building and loan associations, Mr. Chairman, which have financed the construction of 60 percent of the building in this United States, and they were not given any more consideration before the committee in presenting their side of the picture than I was in trying to get recognition to discuss my points.

Mr. GOLDSBOROUGH. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I would rather proceed if I may. I expect that will be answered in due time.

Mr. GOLDSBOROUGH. I was going to ask the gentleman a question.

Mr. WOLCOTT. I yield to the gentleman.

Mr. GOLDSBOROUGH. Mr. Bodfish, representing the building and loan associations, took more time than any two people who appeared before the committee. He was before the committee, I think, about 2½ hours. Is that not correct?

Mr. WOLCOTT. I was not speaking of the time. I was speaking of the consideration which was given to his testimony. I might say further that it is commonly known, and a well-known fact in the committee, and I do not think I am divulging any confidence when I say it, that one of the Bodfish amendments was voted down because it was a Bodfish amendment, and it was so announced. Yet Mr. Bodfish represents the people who have financed 60 percent of the home building in this United States.

Mr. GOLDSBOROUGH. Mr. Chairman, will the gentleman yield further?

Mr. WOLCOTT. I yield.

Mr. GOLDSBOROUGH. The gentleman does not take the position, does he, that the Committee on Banking and Currency is bound to adopt an amendment which it does not approve simply because Mr. Bodfish presented it?

Mr. WOLCOTT. Of course not; but I do deplore the fact that a motion was voted down simply because some individual wanted us to consider it.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. JENKINS of Ohio. What was the purport of Mr. Bodfish's testimony, briefly, as to whether he favored this or not?

Mr. WOLCOTT. I would prefer that you ask the gentleman from Massachusetts [Mr. LUCE] about that, because there are several amendments along that line, and he is very well qualified, because of the study he has made over a period of years, to answer that.

Mr. O'CONNOR of Montana. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. O'CONNOR of Montana. I am always impressed with what the gentleman from Michigan says because he is always well informed, but I cannot go along with the gentleman when he says this will not stimulate credit. My experience with banks has been that they will not make a loan for the building of a home or the construction of a building without double security, and when they object to this bill, it is my opinion that what they fear is that it will afford an outlet for the private individual, instead of depositing his money in the banks at 1 percent, to get ample security for the money which he has on deposit in those banks.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. WOLCOTT] has again expired.

Mr. WOLCOTT. Mr. Chairman, I yield myself 5 additional minutes.

Under the law as it is now there undoubtedly is some justification for the position taken by the gentleman from Montana, but regardless of what we might think about it or how much we may want to help the home builder, if the banks and financial institutions of this country will not furnish the credit, because of the risk which the Government puts upon them, then just as sure as we are standing here today we are going to dry up this reservoir of credit which always has been and always should be made available for home construction. We are completely at the mercy of the banks, if you want to put it that way.

Mr. O'CONNOR of Montana. Suppose I am getting 1 percent from a bank, and I have an opportunity to buy one of these loans that we are now speaking about, created by reason of this law, I would be senseless, would I not, if I did not take that money out of that bank and invest it in a loan such as we are talking about now?

Mr. WOLCOTT. I do not quite understand the gentleman's question, but let me develop one more thought which I think is all important before I sit down.

I am going to be somewhat superlative in my remarks in order that they may be more effective.

This bill will result in a most complete demoralization of the real-estate market. It will do it for the following reasons: It will destroy the market for resales. Who is going to buy an old piece of property when they can buy a brand-new \$6,000 home for \$600 and live in it in some instances for 20 months without paying a cent of rent and thereby drive real estate out of the field of desirable investments?

Second. It will destroy the market for properties sold under foreclosure and thereby drive private capital out of the real-estate market, because if you cannot sell your property on foreclosure people are not going to invest in real estate.

Third. You will make necessary the immediate foreclosure of defaulted mortgages, because of this jittery condition of real-estate investments. You are going to set up a lower standard of earnings on the capital invested. Financial institutions will find it advisable to shy away from investments in real estate, and force them to go to long-term Governments, municipalities, and industrials and utilities, because of which a fear psychology is engendered with respect to real-estate investments by individuals in homes, resulting in forced unemployment in building trades and increased shortage of desirable homes.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from New York.

Mr. SIROVICH. I would like to ask my colleague this question: Since he states that credit is likely to be dried up, how is it possible when you can have these debentures, which are given to anybody for any amount, tax-exempt, and guaranteed by the Government 80 to 90 percent?

Mr. WOLCOTT. One hundred percent.

Mr. SIROVICH. Guaranteed in full, I understand.

Mr. WOLCOTT. Yes; 100 percent.

Mr. SIROVICH. How will they dry it up?

Mr. WOLCOTT. The gentleman understands that the banks do not get these 100-percent guaranteed tax-exempt debentures until they have foreclosed the property and can give the F. H. A. a good title.

Mr. SIROVICH. Is that what the banks are afraid of?

Mr. WOLCOTT. Absolutely, the attending additional cost and risk which makes this paper so little attractive in comparison to investments in 3-percent Government obligations.

Mr. LEAVY. Mr. Chairman, will the gentleman from Michigan yield?

Mr. WOLCOTT. I yield.

Mr. LEAVY. The gentleman from New York has partly asked the question I had in mind. The gentleman expressed the fear that savings and loan societies would be prejudiced through this type of legislation and thus thrift in the country would be deterred. Would the average individual invest his money in the national mortgage associations that are created and set up here, would he put his savings there rather than in the savings and loan societies?

Mr. WOLCOTT. If he were one of five individuals who could get together \$500,000 he could do it; but I could not be one of them.

Mr. LEAVY. I am in the gentleman's class, too.

Mr. ANDRESEN of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. ANDRESEN of Minnesota. This act will be administered by the Federal Housing Administration or some similar agency. Just what success has the Federal Housing Administration had with its program of reviving the building of homes in the country?

Mr. WOLCOTT. As I said in the beginning, they have spent \$51,000,000 up to the present time. That is incidental to the fact that they have insured \$1,329,000,000 of loans. The significant part of that is that the loans which they have

insured are only 20 percent of the total mortgages recorded throughout the country during the period of time the F. H. A. has been in existence. Only 20 percent of the mortgages recorded since 1934 have been F. H. A. insured mortgages. Of the \$1,329,000,000 lent by the F. H. A., 67 percent of the mortgages were handled through banks, which makes it material that we at least do not dry up that source of credit. But here is the interesting part of it: The distribution of the \$1,329,000,000 of insured mortgages were 60 percent for refinancing of old property and only 40 percent for new construction. The refinancing of old property does not aid employment in the building industry. Only 40 percent of this \$1,329,000,000, or approximately \$531,000,000 was insured for new construction.

Mr. ANDRESEN of Minnesota. What is the value of the property upon which they have had foreclosure proceedings?

Mr. WOLCOTT. I could not tell the gentleman exactly, but it might be figured roughly by assuming that this amount is 80 percent of the value of the property.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield myself 3 additional minutes.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. REED of New York. Is the object of the bill to furnish homes within the means of the ordinary man, or is the real objective of the bill to furnish employment to help us out of the depression; which is it?

Mr. WOLCOTT. It was announced to be both, to allow the man of small means to own his home and to help us out of the depression by increasing employment in the building trades. My conviction is that the act itself nullifies the possibility of any progress being made in that respect, because we actually dry up the source of credit to which this small-home owner has to go under this bill to get financial help to build a home at all.

Mr. REED of New York. If the purpose is to stimulate business, if that be the real objective of the bill, how is this going to affect the materialmen in the various localities? Is this construction going to be done en masse by some big firm in Chicago or New York and the little fellow ignored? If it is, I cannot see where it is going to help the local communities.

Mr. WOLCOTT. I may say that many members of the committee were very apprehensive about what would happen by the establishment of the Federal mortgage associations, because it was anticipated that the Federal mortgage associations with a capitalization of \$2,000,000 could issue \$1,000,000,000 worth of debentures and could go into Dallas, Tex., for instance, and might do just what the gentleman suggests—let a big contract for the erection of 100 homes in the district, or in my district, and that they would import the labor and material to the prejudice of the local labor and materialmen.

Mr. REED of New York. What is the gentleman's idea about it?

Mr. WOLCOTT. I am greatly bothered by it. I deplore the fact that we set up national mortgage associations which may lend in any State of the Union from a central office in Washington or New York.

This bill is the entering wedge for a high centralization of the control of credit.

The bill does one further thing which is peculiarly obnoxious and which should be given careful study and consideration before the bill is passed, and that is this: You would not think of insuring an industrial loan up to \$250,000, you have refused to insure business loans up to \$250,000, but I dare say that before this day is over you are going to insure the investment which some capitalist has in a large apartment house up to \$250,000, and you are going to like it, because you are not giving proper consideration to the bill.

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I yield 10 minutes to the gentleman from Georgia [Mr. Brown].

Mr. BROWN. Mr. Chairman, I am very anxious to help the home owner in the urban and rural sections of our country. It is, therefore, necessary to revive title I, and the present bill seeks to revive a part of title I in order to provide for constructing homes costing not more than \$2,500.

Mr. GOLDSBOROUGH. Mr. Chairman, will the gentleman yield?

Mr. BROWN. I yield.

Mr. GOLDSBOROUGH. I think it but fair to say that the gentleman from Georgia introduced an amendment to that effect in the committee, which was adopted by the committee.

Mr. BROWN. Yes. The bill provides for repairs not to exceed \$10,000. Formerly in title I, I think the figure, perhaps for repairs, was in an amount not more than \$50,000.

People all over the country are very much interested in building the homes I have described. The retailer can sell and furnish the materials. I desire to quote in part from letters addressed by retail lumber dealers from all sections of the country to Frank Carnahan, secretary of the National Retail Lumber Dealers' Association.

Carl Blackstock, of the Blackstock Lumber Co., Seattle, Wash., states:

Dealers in Oregon and Washington will guarantee construction of three- and four-room lumber houses to the extent of 5,000, if permitted to do so under title I.

S. L. Forrest, president of the Lumbermen's Association of Texas, states:

I think I am safe in saying that outside of the cities the renewal of title I permitting new structures would create more building than anything else they might do at this time.

J. W. Deal, vice president, Pickering Lumber Co., Kansas City, Mo., writes that his company built 42 houses under title I.

Bailey Lumber Co., Bluefield, W. Va., writes:

Built approximately 87 small houses under title I for individuals, mostly in coal fields.

Lampert Lumber Co., St. Paul, Minn., writes:

It is very evident that the interest of the local financing institutions can only be revived in a broad way with the renewal of title I. Feel that the program should cover all types of repair and new construction.

Baldwin Lumber Junction Milling, Jersey City, N. J., wires:

Furnished material for 150 small houses under title I.

Wilbur Lumber Co., West Allis, Wis., states:

In this territory demand is from individuals who want to move out in the outskirts and build a small house costing from \$2,000 to \$3,000 on their own property. There is an almost unlimited demand for homes of this type.

Dower Lumber Co., Tacoma, Wash., writes:

If provision was made for the building of small homes costing up to, say, \$2,500, under the same conditions as existed under title I before, it would greatly help the building of that class of homes.

This firm built many houses under title I.

Another company, the Conrad Lumber Co., Deland, Fla., writes:

Our company handled more than \$30,000 worth of paper and we believe that not one single loan has ever fallen by the wayside.

The Superior Lumber Co., Eldorado, Ark., writes:

It has been our experience, since title I was withdrawn, that the agencies with whom we were making these title I loans have all increased their interest rate.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. BROWN. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. Is it the gentleman's opinion, if this bill is passed, that in these small communities to which the gentleman referred the local lumber dealers will have a chance to furnish the lumber and material?

Mr. BROWN. Absolutely.

Mr. JENKINS of Ohio. Or will some big outside corporation come in and furnish it?

Mr. BROWN. I think not. The builders will obtain their funds from local lending institutions. The Government does not make the loans.

The committee adopted this amendment I have suggested, which revives part of title I.

This bill makes no changes in section 1 of title I of the National Housing Act, as amended. All changes proposed in the present bill occur in (a) and (b) of section 2 of title I and not elsewhere. The following are the changes which are proposed by the bill as introduced:

Section 2 (a) in general revives and extends from the date of the enactment of the proposed amendment until July 1, 1939, the Administrator's authority to insure loans made to owners or lessees under a lease extending at least 6 months beyond the maturity of the loan in accordance with such interest and maturity and other terms, conditions, and restrictions as he shall prescribe in order that credit may be made available for the purpose of financing alterations, repairs, and improvements upon urban or rural real property.

Mr. HANCOCK of North Carolina. Will the gentleman yield?

Mr. BROWN. I yield to the gentleman from North Carolina.

Mr. HANCOCK of North Carolina. On all loans made under title I, as suggested by the gentleman from Georgia, who would fix the interest charge?

Mr. BROWN. Well, of course, the interest charge would be fixed by the lending institution.

Mr. HANCOCK of North Carolina. I just understood my friend to say that the loans would be made under terms prescribed by the Administrator; is that correct?

Mr. BROWN. They could not go beyond a certain amount. The local lending institutions cannot charge more than 5-percent discount.

Mr. HANCOCK of North Carolina. Five-percent discount means about 10-percent interest, does it not?

Mr. BROWN. It certainly does not, because most of these loans are made on the basis of 12 to 18 months and it could not possibly be anything like that.

Mr. HANCOCK of North Carolina. Is it not a fact the officials of the Federal Housing Administration testified before the committee that the average interest rate charged on loans under title I amounted to 9.7 per year?

Mr. BROWN. I do not recall that. I favor the lowest possible interest rate.

Mr. HANCOCK of North Carolina. Would the gentleman agree to an amendment limiting the rate of interest to 5 percent and striking out the 5 percent discount?

Mr. BROWN. I certainly favor the lowest possible rate of interest to make the act workable.

Mr. GOLDSBOROUGH. Mr. Chairman, I yield 5 additional minutes to the gentleman from Georgia.

Mr. BROWN. Title II does not apply to home owners outside the cities and this is the reason we desire to revive title I in order to help people in the urban and rural sections.

Mr. LORD. Mr. Chairman, will the gentleman yield briefly for a question?

Mr. BROWN. I yield to the gentleman from New York.

Mr. LORD. I have in my district a farmer who wrote me a few days ago that he wanted to get a loan from some Government agency in order to build a new barn. Under this bill would he be able to borrow the money to build his barn?

Mr. BROWN. No; I believe not.

The important changes which are made in the proposed amendment are as follows:

Prior to April 1, 1937, section 2 (a) provided that the purposes for which loans could be made in order to be eligible

for insurance were restricted to alterations, repairs, and additions upon improved real property, whereas the present proposal does not require that the property to be improved, altered, or repaired shall be already improved by an existing structure prior to the granting of the loan.

Whereas section 2 (a) of the statute in force prior to April 1, 1937, authorized the insurance of loans for the purpose of financing the purchase and installation of equipment and machinery upon improved real property, the present proposal eliminates loans for such purposes and restricts the eligibility of such loans to those which are for the purpose of financing actual structural improvements to real estate.

Under the terms of the proposed amendment, therefore, only such installations as can be considered improvements, alterations, or repairs to real property will be eligible to be financed with the proceeds of an insured loan. Heating systems, including stokers, built-in oil burners, and other furnaces which are a part of such a system; wiring systems, including permanent fixtures; plumbing systems; and built-in air-conditioning systems and fire-control systems will be deemed eligible for such financing. On the other hand, such equipment as refrigerators, washers, ironers, cooking stoves, scales, counters, showcases, and so forth, will not be eligible.

In this connection, it must be noted that the Administrator's authority to insure, as contained in section 2 (a), is likewise subject to the restrictions contained in section 2 (b), which limits the total amount of an insurable loan under this title to a maximum of \$10,000 and provides that such loans may only be insurable if they are made to finance repairs, alterations, and improvements upon existing structures and loans to finance the building of new structures will be insurable only if they do not exceed \$2,500.

Section 2 (a) of title I of the act as in force between April 1, 1936, and April 1, 1937, provided for the insurance of loans, advances of credit, or purchases of loans and advances of credit not in excess of \$50,000 for the purpose of financing repairs, alterations, and improvements and the installation of equipment and machinery upon real property already improved by apartment or multiple-family houses, schools, office, business, or other commercial buildings, hotels, hospitals, orphanages, and churches, or improved by some other structure to be converted into a structure of the type above enumerated. Loans of this special type, formerly referred to in the regulations of the Administrator as class A, are eliminated. As stated above, loans for the purpose of financing the purchase of equipment and machinery will not be eligible, and H. R. 8730 places all insurable loans in the same category with the limitation of \$10,000, except that new construction may be financed if the loan does not exceed \$2,500.

Under section 2 (a) of the act as previously in force, the Administrator was authorized to grant insurance in a total sum not exceeding in the aggregate \$100,000,000, with the limitation that the insurance so granted might not exceed 10 percent of the total amount of all loans made under section 2 (a) as then in force. The proposed bill seeks to convert the limitation contained in the original act into a revolving fund, by which it is meant that the total liability of the Administrator must not exceed \$100,000,000 in connection with loans to be made pursuant to the proposed amendment, plus the outstanding liability incurred under previous legislation from June 27, 1934, to July 1, 1939. Thus, if loans reported for insurance under previous legislation are paid in full by the borrowers without claim for reimbursement being made upon the Administrator, his outstanding liability is to be reduced in such amounts, and the total amount of loans which he may insure increases in a like amount. However, if claims are paid in respect of insurance heretofore or hereafter granted, the amount of insurance which he may grant is decreased in the amount of the claims so paid. The Administrator's authority to grant insurance will still be limited to 10 percent of the total amount of loans, advances of credit, and purchases made under this section. This feature of the amendment is to avoid the necessity of requiring authorization for a further appropriation. [Applause.]

Mr. GOLDSBOROUGH. Mr. Chairman, I yield 10 minutes to the gentleman from Kentucky [Mr. SPENCE].

Mr. SPENCE. Mr. Chairman, I am heartily in favor of the broad objectives in this bill. There is a shortage of houses at the present time, conservatively estimated at 2,500,000 homes. Only one in five farmhouses is in accord with the American standard. I do not believe any of us can overestimate the effect of the home on the future stability of our Nation. The home is the very pillar of the Republic. The things we do for the home not only make for a happy and contented people but they make for the future safety of this Nation. No wild theories of government are born in the American home. I believe in perpetuating our institutions as they have been founded by the fathers of our Government.

The philosophy of this bill is not to go into competition with private enterprise but to stimulate private enterprise and stimulate by insurance the activity of the lending institutions. I believe this is the only practical and sensible way we can stimulate such lending institutions at the present time. We cannot condemn the banks and other lending institutions. They have had rather a hard time. A good many of their real-estate loans were made before 1929. The crash came, and the banks and building associations sustained serious losses. If you insure loans it may induce the banks and other financial institutions to go back into this field of endeavor, and may induce them to give to the American people the accommodation which they would gladly accept and which they greatly need.

There has been a good deal of talk about the insurance under this bill. The insurance under title II is 100-percent insurance on the amount of the loan, and the percentages you have heard spoken of are the percentages of the appraised value of the buildings and the land. The 90-percent loan will be insured in full, just as the 80-percent loan was insured in full.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Missouri.

Mr. SHORT. Does the gentleman believe it is sound financing to advance loans up to the extent of 90 percent of the appraised value of property of any kind? Does the gentleman know of a private institution in this country which would make loans to that degree?

Mr. SPENCE. I have had no extensive personal experience along that line. I have subordinated my views to the views of the people who have appeared before the committee. They state they believe such a loan would be a safe loan under ordinary circumstances. After all, what is the foundation of a loan? I have served in banks and building associations, and I would place more importance upon the character of the borrower than upon the security. Character is the real foundation of credit. If a man of good character should apply for a 90-percent loan, I would rather accommodate him than lend money to a man in whom I did not have confidence upon a 50-percent loan.

Mr. SHORT. Will not the gentleman agree that one of the chief factors contributing to the depression was the abuse of their credit by the American people? Does the gentleman from his own experience or observation honestly believe we are helping people when we encourage them to go into debt?

Mr. SPENCE. I believe a man would be more apt to abuse his credit in buying something other than a home. Men do not often abuse their credit in buying homes.

Mr. SHORT. I may say to the gentleman the fear I entertain is that this legislation will end by Uncle Sam owning many small homes and shacks over the United States, and the occupants of such homes will be thrown out on the streets through foreclosure, losing the little equity they have in their homes.

Mr. SPENCE. That would be a very unhappy result, and I hope it will not happen.

Mr. SHORT. This has been happening under the H. O. L. C., which has foreclosed thousands of home owners.

Mr. SPENCE. I realize that. It will always happen to some extent.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from New York.

Mr. FITZPATRICK. As I understand, the borrower under these loan provisions will pay a certain amount each month, and this payment will be about equal to what he would pay for rent. Over a period of years, if he were paying rent he would not have anything left, but if he were paying on a home he would own the home. It is the object of this housing measure to aid especially the small-home owner.

Mr. SHORT. If the gentleman will yield, that is all nice in theory, but there are many States where a man could fail to make his payments for a period of 20 months before he could be dispossessed.

Mr. SPENCE. I decline to yield further at the present time. I want to continue and touch on the point about which I rose to speak.

I voted to report this bill, with reservations. This bill, I hope, will stimulate private enterprise and private lending, and I am heartily in favor of its purposes.

I do not want to see any Government agency go into competition with local institutions, particularly in competition with the institutions that have done so much for American thrift as building and loan associations. [Applause.] They have built up my section of the country and the men who have devoted their time and their services to the promotion of these institutions have done so unselfishly and without reward. I do not want to see any competition by the Government with these local institutions.

Mr. FISH. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. Yes.

Mr. FISH. Does the gentleman propose to offer some amendments?

Mr. SPENCE. I do.

I greatly fear that the national mortgage associations as set up under this bill may be empowered to go into the local communities and compete with the building associations.

I have no objection to the national mortgage associations purchasing the paper or even making loans under section 207, where there are great slum-clearance projects that may involve as much as \$5,000,000 each. I do not believe I have very great objection to them going in under section 210, which provides for multiple dwellings and housing groups of not less than 25 houses, because not many of the building and loan associations would want to go into this field, but I do object to them coming in under section 203, which provides for loans up to \$6,000 at 90 percent of the value of the property, and to all loans under \$16,000, because I believe if they do this, with the advantages that have been given them by the National Government, they will destroy the building and loan associations of our land.

Mr. McGRANERY. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. Yes.

Mr. McGRANERY. Is it not true the only advantage that might be obtained over what the gentleman calls these local community thrift societies, would be in the matter of the rate of interest?

Mr. SPENCE. No.

Mr. McGRANERY. Wherein is there any other advantage obtained?

Mr. SPENCE. Let us see how they are going to be organized. The language is that any number of natural persons, not less than five, may apply to the Administrator for authority to establish a national mortgage association. It does not say where they shall reside. There is no provision in this bill that the affairs shall be conducted by a board of directors. There is no provision in the bill that the directors shall be at all interested in the purchase of stock or in the ownership of any interest in the national mortgage

association. They may have four or five dummy directors in Washington.

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. SPENCE. The Reconstruction Finance Corporation can furnish them with the funds they need. They will not be organized at less than \$2,000,000 in capital and they can issue debentures against capital stock of 20 times the amount of the capital stock tax free. They have the power to go into the various localities and buy any character of paper, insured or uninsured, and I say when they can do that, they can compete directly with the local building and loan associations or with the local thrift associations, and I would like to see them limited in that respect. I am not opposed to their organization, but I would like to see them limited to purchasing mortgages and paper under section 207 and section 210 of this bill.

Mr. McGRANERY. Mr. Chairman, will the gentleman yield further?

Mr. SPENCE. Yes.

Mr. McGRANERY. Is there any advantage that the national mortgage association would have in the matter of the interest rate over any other institution?

Mr. SPENCE. Absolutely.

Mr. McGRANERY. I cannot see that, sir.

Mr. SPENCE. It is authorized to issue tax-free debentures bearing 3-percent interest, which would be readily salable, guaranteed as to principal and interest by the Government of the United States. Certainly no local building and loan association has any privileges of that kind and no local building and loan association can compete with them.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. REED of New York. In view of the history of the loan associations of this country—and I am thinking of those that have rendered such wonderful service in my own State—can the gentleman think of anything more disastrous to the instrumentalities that have built up, and can build up, the housing of this country, than to pass a bill that would authorize the Government to go into competition with them and destroy their effectiveness?

Mr. SPENCE. I am heartily opposed to that and I am afraid if we do that we will be acting somewhat like the dog in Aesop's fable—we will have jumped at the shadow and lost the substance.

Mr. FARLEY. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. FARLEY. I wish the gentleman would make it quite clear why the Reconstruction Finance Corporation is going into this business of setting up such organizations. Is it not a fact that the building and loan organizations have failed to carry out the work they should have carried on and home building has languished to the danger point, because they could not do the thing they were set up to do, and will not the gentleman also make it clear that the reason the R. F. C. is going into this proposition and building up these national mortgage associations is to make available money to put this thing over, and is not this the only way we can finance a proposition as large as this?

Mr. SPENCE. I am heartily in favor of having money to lend the home owners, but if you go into competition with the local lending institutions, this means the ultimate destruction of the local lending institutions, and there will come a time when a man in order to get a loan upon his home will have to come to Washington, and that will be an evil day for America.

Mr. GREEN. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. GREEN. I regret to disturb the gentleman, because he is making a very informative speech, but there is one point I would like to have cleared up about this bill. I have

had considerable correspondence with constituents of mine, particularly Mr. Mounds, of Tampa, Fla., who is interested in knowing whether or not there is a provision in the bill whereby persons on farms can obtain loans to build homes or to improve homes in the rural area.

Mr. SPENCE. There is no discrimination against any home owner in America, and any home owner in America can secure a mortgage under the plan of this bill.

Mr. GREEN. So the farmer would be included the same as any other person?

Mr. SPENCE. Yes.

Mr. WOLCOTT. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Chairman, I propose to support this bill. Using words that are somewhat abused in the Congress, I do so because it is a step in the right direction, or will be eventually. But from the point of view of the present depression it is a false alarm; it is a fraud; it is a hoax—a gigantic hoax—because it will not accomplish anything at all except to give the administration and its great propaganda machine an opportunity to tell the public that this bill is the way out of the depression. It is claimed by the administration that this legislation will solve the depression by starting the heavy industries going and put a million people back to work to build 5,000,000 houses at a cost of \$16,000,000,000. I realize that my voice is stacked against the entire propaganda machine of the administration, but nevertheless I want to go on record as saying that such statements or assumptions are frauds on the people. It will accomplish almost nothing at all while we are in a severe economic depression. The President says that the depression is a myth, in spite of the fact that a million American citizens are unemployed who were not unemployed a few months ago. I read in the newspaper today that Mr. Lewis said that out of 560,000 members of his organization in the steel mills all but 15 percent are on part time. How in the world are people going to build if they have not got any money? You must have a little nest egg to start with under this bill.

I believe the bill will work out very well when we get back to normal times, when the wage earners have some money put aside in the bank; but if a wage earner today has \$500 in bank, and is on part time or has lost his job, he is not going to venture that \$500 to build a house. I may have more than \$500 in the bank, and I might like to build a house, as some of you would, but neither you nor I would build a house today. We have no confidence. We do not know what is going to happen within the next 6 months or a year, and that is even to a greater extent influencing the wage earner, because he may need that \$500 or \$600 to feed his family with. In good times this bill ought to work out and do exactly what we want it to do. I would rather see this bill put into effect with certain amendments to protect the legitimate interests of the building and loan associations than any single bill that has come up in the Congress in recent years, because I believe it will be helpful eventually when people get jobs and are employed on a permanent basis and have money to build with. I would rather promote home owning than anything I could do by my vote in Congress. I know you cannot do it in a depression, but if we can put 5,000,000 people into their own houses—that is the figure claimed when times are better—you will do more to combat radicalism, socialism, and communism than anything that can be done by the Congress of the United States. That must be self-evident; that is why I propose to vote for this bill, even if we have to wait and do not build more than a million homes in the next 4 years.

Mr. CURLEY. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes.

Mr. CURLEY. The gentleman knows that it is estimated that about 1,000,000 craftsmen who are normally engaged in the building industry have been unable to work since the depression started; but if this bill becomes a law, these million men would go back to work, along with three or four million more workers indirectly affected.

Mr. FISH. My answer is that if this bill goes into effect it will not put anybody back to work in the midst of the present depression, it will not accomplish anything at all during a depression. In the gentleman's district and in my district there is a lack of confidence; the wage earners are fearful they are going to lose their jobs. Does the gentleman think the workman will take his money out of the bank and put it into building when he may need the money to feed and clothe his family?

Mr. CURLEY. With the guaranty of the Government, yes.

Mr. FISH. But that money is not guaranteed at all. The man who puts it up loses it; he loses every cent that he puts up, whether 10 percent or 20 percent, in case he cannot continue to pay his taxes, his interest on the mortgage, and so forth. The President claims that 16 billions of dollars will be spent in the next 4 years. I do not believe it will put \$160,000,000 to work. I do not believe it will put \$16,000,000 to work the first year if this depression continues. I know there is one word that must not be spoken in this House, that the minority must not use the word "depression." There is a regular hush, hush campaign against it, and the moment we use the word "depression" a statement comes out from the White House that the depression is a myth and an assumption. It is almost lese majeste to mention the word "depression." The depression is here, because there is a lack of confidence as a result of fear and uncertainty because of unsound economic policies.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes; if it has nothing to do with the silver issue. The price of silver does not come into this discussion at all.

Mr. WHITE of Idaho. The gentleman speaks of confidence. Does not the gentleman know that if we could bring about a fair price level in the cost of building materials, it would go far to start the building program.

Mr. FISH. It is always if, if, if something might happen. Let us get at the facts. Why is it the wage earner will not build? The first and prime reason is that he is fearful and has no confidence in the immediate future.

Mr. WHITE of Idaho. Let me answer the gentleman.

Mr. FISH. No. Please sit down and let me continue.

Mr. WHITE of Idaho. I want to answer the gentleman's question.

Mr. FISH. Just sit down a moment and I will answer it for you. I can give you a better answer. First, there is fear and uncertainty throughout the land. That is the prime reason people are not going to put up money under such circumstances. The second reason is excessive taxes. The third reason is the high cost of labor. The fourth reason is the high cost of building material. The fifth reason is that this bill does not go far enough to reduce the rate of interest so that it really holds out any appeal to the wage earner to build a house.

This bill provides for 5-percent interest on mortgages. Do you think that is going to be attractive? Is that going to attract anyone to build a house? You can go to a bank now and get 4-percent interest on your mortgages. You can get 4-percent interest on mortgages right in New York City today. Under the 5-minute rule I will put in the RECORD a list of any number of mortgages in the city of New York, where they are getting 4 percent, and where the loans are for 90 percent of the value of the property. So you are not doing a great deal in this bill. I do not think it goes far enough, but even if it went further, due to the economic situation, the bill would not accomplish anything in such a severe depression.

Mr. MAGNUSON. Mr. Chairman, will the gentleman yield?

Mr. FISH. I yield.

Mr. MAGNUSON. The gentleman states that one of the reasons for this not becoming operative would be the cost of building material and the cost of wages of members of the

building trades. Does the gentleman advocate the lowering of wages and the lowering of the cost of building material as a cure for this?

Mr. FISH. I will let the gentleman answer that. What does the gentleman think about it?

Mr. MAGNUSON. I do not think they should be lowered.

Mr. FISH. Well, what does the President think about it?

Mr. MAGNUSON. I am not speaking for the President.

Mr. FISH. I would like to find someone who does speak for the President.

Mr. MAGNUSON. The gentleman has been here a long time, and he can answer the question.

Mr. FISH. I would like to find someone who does speak for the President; I would like to find someone who has a desire to speak for the President.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. FISH. If the gentleman will answer the question, I yield. I am going to ask you a question. You are the spokesman for the President now.

Mr. SIROVICH. Go ahead. I'll answer any question you ask.

Mr. FISH. We have been in session for 6 weeks. We have had a depression for 3 months or more. The President has not submitted one single plan, one single program, one single policy to get us out of the depression. That is the only thing the American people want to know.

Mr. SIROVICH. Is the gentleman propounding a speech to me or is he asking me a question?

Mr. FISH. Will you tell the House what the President's program is, what his policy is, what he actually proposes to do to get us out of the depression?

Mr. SIROVICH. I will gladly answer the questions.

Mr. FISH. That is all I want. I want the Republicans to listen to this, because we have been waiting for this for a long time.

Mr. SIROVICH. Because the distinguished gentleman from New York has been the Representative of the President's district, he has maligned and vilified him time after time and the principles he represents. The first thing the President wanted in this special session was to help the farmers of this country, to help them to put agriculture on a parity with industry; and when your party was in power you never voted for the measure known as the McNary-Haugen bill, with the principle of debentures and equalization that would have put agriculture upon a parity with industry. You and your Republican Presidents who vetoed the McNary-Haugen bill are responsible for the frightful condition that 40,000,000 farmers find themselves in today.

Mr. FISH. Now—

Mr. SIROVICH. Now, wait a minute. I have the floor. You challenged me to answer your questions, and I propose to do so.

Mr. FISH. But you have not.

Mr. SIROVICH. You gave me the floor to answer your questions. Permit me to continue.

Mr. FISH. Not what I voted for, but what the President has to offer to get us out of the depression he has gotten us into.

Mr. SIROVICH. Mr. Chairman, I demand to be protected against this interruption. He has asked me several questions and I am going to answer them.

Second, we brought out, through the President yesterday, a bill that would have prevented the exploitation of the lowest underpaid people in this country and would have given them what is their privilege, an opportunity to have saving wages or living wages. The gentleman's party on the other side of the aisle, with many Members on this side, voted against that measure, which would have enabled the working people to earn enough to build the houses which you say they have no opportunity to build today. You were not even here to vote. You were paired.

Mr. FISH. Now, Mr. Chairman, I cannot yield any further.

Mr. SIROVICH. Now wait. You have given me the time. I propose to continue. [Laughter.]

Mr. FISH. I do not yield further, Mr. Chairman.

Mr. SIROVICH. Mr. Chairman, I have the floor.

The CHAIRMAN. The gentleman from New York has the floor.

Mr. SIROVICH. I have the floor. I am going ahead.

The CHAIRMAN. The gentleman from New York [Mr. FISH] has the floor.

Mr. SIROVICH. The gentleman yielded to me to answer him.

The CHAIRMAN. The gentleman from New York [Mr. FISH] has the floor.

Mr. SIROVICH. I am sorry the gentleman did not permit me to answer his questions further.

Mr. FISH. I yielded to the gentleman to speak for the President. Instead of that he informed the House of my views and my policies, and I am not responsible for the present depression.

Mr. SIROVICH. I am speaking for the President, telling what he would say if he were here.

Mr. FISH. I have criticized the President, and I propose to continue to criticize him. I believe that is the right of the minority. After all, it is about the only function left the minority except yesterday when the Democrats left their own party and joined us to rebuke their own President—the most astounding rebuke ever administered any President, particularly one with a 4-to-1 majority in Congress. I believe the only right of the minority is that of criticism and expressing their views on the floor of this House. I go back in memory to the campaign put on against Republican Presidents from Harding down to Hoover when they were smeared right and left by the Democratic propaganda machine throughout this country. When I have anything to say by way of criticism I say it on the floor of the House where it can be answered.

I have at no time villified the President of the United States. I have criticized him and I have opposed him. I believe he is to blame for this depression. I believe it is a Government-made depression, I believe it is a Roosevelt depression; and I propose to say so.

[Here the gavel fell.]

Mr. CRAWFORD. Mr. Chairman, I yield the gentleman 4 additional minutes.

Mr. SHORT. Mr. Chairman, will the gentleman yield for a question?

Mr. FISH. I yield.

Mr. SHORT. Is there any provision in the bill that will forbid the importation of materials manufactured by substandard labor or by slave labor?

Mr. FISH. No; there is nothing like that in the bill.

Mr. SPENCE. Mr. Chairman, will the gentleman yield?

Mr. FISH. I yield.

Mr. SPENCE. The gentleman made the statement that the interest provided in the bill was 5 percent.

Mr. FISH. Up to 5 percent. They can charge up to 5 percent.

Mr. SPENCE. They could charge more than that in the discretion of the Administrator, in my opinion.

Mr. FISH. I would not like to see them charge more than 5 percent. I think that should be the maximum. I led the fight in the committee to get the rate reduced.

Mr. SPENCE. Is it not a fact that capital has been somewhat afraid that the interest rate is too low? And will not the tendency of this insurance feature be to reassure them in the soundness of the investment?

Mr. FISH. Yes. I believe the insurance feature is proper. I am not afraid to see it go to 90 percent, but some of my Republican colleagues will not agree with me. I have not the slightest fear of the 10-percent contribution. My fear is that few will be willing to pay the 10 percent at the present time.

Mr. SPENCE. Then the bill is not such a hoax, after all.

Mr. FISH. It is absolutely a hoax at the present time; but for the future when industrial activity revives I believe and hope that it will be helpful.

Mr. KENNEY. Mr. Chairman, will the gentleman yield?

Mr. FISH. I yield.

Mr. KENNEY. The gentleman is a severe critic but I have not heard him criticize my lottery bill yet.

Mr. FISH. I will criticize it if the gentleman wants me to. I know the gentleman is sincere. If there is one thing I admire in this House it is sincerity and courage; and the gentleman has both, coupled with ability. But I am absolutely opposed to any such lottery program. It means admitting the bankruptcy of this country; it means that we are following the example of some South American countries with their cheap and dishonest lotteries. It means that we are unable to finance ourselves, that we are bankrupt and insolvent, for lotteries only flourish when a country is practically insolvent and bankrupt. I do not think we are insolvent and bankrupt, even under this administration. I believe the credit of our country is still good. I hope it will continue to be. How long it will continue to be is a question. We have a national debt of \$37,000,000,000 and \$5,000,000,000 as a contingent debt, or an actual national debt of \$42,000,000,000. The country is solvent today, but it will not continue to be solvent unless we balance the Budget and stop our spending spree. I hope to God we have not got so low in this country financially that we have to follow the unfortunate example of some South American countries and have governmental lotteries.

In conclusion, I appeal to all Members of this House to vote for this bill, hoax that it is at the present time, as it will not promote any degree of home building under the present depression but I hope that it will be a means of starting a building boom by private industry when confidence is once more restored, the American people back at work, with money in the banks to put up to take advantage of the provisions of this bill. [Applause.]

Mr. GOLDSBOROUGH. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. BARRY].

Mr. BARRY. Mr. Chairman, after listening to the distinguished gentleman from New York [Mr. FISH] I cannot see how anyone of us can escape the conclusion that he is for the bill because he does not think it will work. That is, of course, an old Republican custom. It seems to me that if any Member of this House should support this bill it should be our Republican brethren who are such ardent defenders of the rights of privilege and capital; because, after all, what does this legislation do in substance? The Government points out to private capital a big field for development in the building industry. There is a situation in our country in which millions of people need homes; there is an opportunity to expand, to stimulate business in the various trades and building material industries. In fact, if building is developed on the scale contemplated by this bill our country may well work itself out of whatever depression we may be in. The Government says to private capital: "Come in, we give you an opportunity to make a reasonable profit."

Beyond that we say to you, "That any losses you may sustain we will make up. If your investment proves to be unsound, the Government of the United States will give you a debenture bearing 3 percent interest. You have everything to gain and nothing to lose."

On the other hand we say to the customers, "With a 10 percent down payment, and a long period of time in which to amortize the mortgage with a fair rate of interest and a minimum of service charges, we invite you to build a home."

Mr. Chairman, I come from Queens County, which is part of New York City. About 20 years ago we had a population of approximately 250,000 or 300,000 people. Today we have a population of 1,250,000 people. Ninety percent of the county consists of one- and two-family homes. Hundreds of thousands of people have moved from the congested areas of New York City during the past 20 years into Queens County and they are now the taxpayers and homeowners of that county.

During the past few years in Queens County there has been more building activity and more homes built which were covered by mortgages insured by the F. H. A. than in any other part of the country. Between January and November of this year we issued over 15,000 building permits for different units. Ever since these hearings have begun I have

talked with builders from that part of the country and they tell me that there is a vast market for homes on which people can make a small down payment. This will go a long way toward stimulating business recovery in the metropolitan area of New York and I include in that section New Jersey, Connecticut, and the entire area within 50 miles of New York City.

Mr. SIROVICH. Will the gentleman yield?

Mr. BARRY. I yield to the gentleman from New York.

Mr. SIROVICH. I am glad to note that the distinguished gentleman states building activities will be helped in the Bronx and in Queens County. Will this also assist to clean up the slums in New York City and Brooklyn?

Mr. BARRY. I think so.

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I yield the gentleman from New York [Mr. BARRY] 1 additional minute.

Mr. BARRY. Mr. Chairman, my remarks are confined primarily to one-family houses. In New York City, Queens County, the Bronx, or Brooklyn you cannot build much of a house for \$6,000. The average run of houses costs from \$7,000 to \$10,000. This bill has an amendment sponsored by me which provides that on the first \$6,000 you can get a 90-percent mortgage and on the average from six to ten thousand dollars you get the usual 80-percent mortgage. That particular provision makes this bill apply to the great metropolitan areas around New York, Chicago, Pittsburgh, and other large cities where land value is high.

Mr. SIROVICH. How about the tenements?

Mr. BARRY. A provision applies to that situation also. [Applause.]

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield 30 minutes to the gentleman from Massachusetts [Mr. LUCE].

Mr. LUCE. Mr. Chairman, I am grateful that the gentleman from New York [Mr. FISH] spoke before I took the floor, because it enables me to tell the committee that politics play an infinitesimal part in the work of the Committee on Banking and Currency. In the 17 years through which I have been a member of that committee, I can recall almost no occasion when any member of the committee has spoken a word or cast a vote with a partisan purpose. I am going to address you today on fundamentals without regard to partisanship.

I am going to speak for certain groups in this country that are rarely recognized on this floor, the forgotten men. When the President took that phrase from the writings of Professor Sumner he perverted its meaning and application, for whoever reads the book in which the phrase was used will find that Professor Sumner did not concern himself with the lowest stratum of society. That phrase was used to describe the great middle classes of this country. They are the forgotten men. In the long debate on the wage and hour bill through which we have just passed there has been scarcely a reference to the middle class of this country, who, thank God, are our mainstay and our support. No European country has a middle class, but so long as we do have the great majority of our people neither wearers of the purple nor wearers of rags, so long will our institutions survive and our liberties endure. [Applause.]

For whom am I speaking?

I am speaking for 10,000,000 members of the building and loan associations, a group that through this depression has financed two-thirds of all the mortgages that have been made.

I am speaking for the savings-banks depositors of this country, fourteen and a half million of them—3,000,000 of them in my own State—with an average deposit there of \$700. They are the working people of the country, the thrifty working people of the country. Mine is an industrial city, but the average of its savings deposits is the same as throughout the State—\$700.

I am speaking for 63,000,000 holders of life-insurance policies, 63,000,000 with 120,000,000 policies outstanding—

almost 1 policy for every man, woman, and child in the United States. I am particularly speaking for the holders of 83,000,000 industrial policies, people who are paying 10, 15, or 25 cents a week that they may be protected especially against the needs brought by calamities, sickness, medical care, medicines, funeral expenses.

The fruits of their hard labors are sacrifices taken from their means of livelihood and laid up against the future.

The funds that savers have accumulated are what furnish the capital that makes our country prosperous, little springs out of which flow rivulets, that, joining one after another, become the mighty rivers of capital. These people are not the economic royalists. They are not that scanty number who have great fortunes, but they are the many who finance this country. [Applause.]

In my city there are \$300 in savings for every inhabitant. It is an industrial town as I have said. I have the honor to be connected with its savings institution. My father was its president for many years. I have the keenest interest in its welfare.

What other group do I represent? I represent those who have given money to our great educational institutions, the income from whose funds, which amount to more than a billion dollars, supports these institutions and enables them to give higher education to youth.

Do you realize that even a small drop in interest takes millions from the resources of these great institutions, of such inestimable value to our land? Do you realize every drop in interest you foster takes away from the resources that back the life-insurance policies, from the worth of reserves accumulated, from the funds that insure payment of the death benefits, and that it takes away from those who belong to our cooperative banks and our building institutions some part of the money they are saving for the sake of building homes?

All these groups I venture to speak for and venture to appeal today in their behalf.

We hear a great deal in our discussions of late about those who owe money—about the debtors. Every debt implies a credit—every debtor a creditor. The creditors about whom I am speaking to you, nearly 100,000,000 of them all told in this country, certainly have the right to be listened to once in a while. I pity the distressed, I sympathize with the afflicted, and I would do everything I could within the structure of my Government to give them help, but I believe that once in a while a word should be said for those who furnish the money. [Applause.]

It is proposed in this bill to attack the rate of interest, to contribute governmental aid in that attack. Unless I greatly forget, the President himself has suggested it be made. We are proposing here to lessen the money that shall be paid by the debtor to the creditor. We today are preparing to join in the attack that I hear now and then encouraged even on this floor and often in our surroundings, to the end that interest be lowered. I know there was a time when the usurer was in great scorn, when even ecclesiastics exhausted their language in malediction aimed at the usurer. But since those days, interest, which is only another name for usury, as you will find in the dictionary, has become the mainstay of society. The commercial system has grown on that as a foundation. Without it our factories could not run, our railroads could not operate, our mills would be silent, because we have created a system by which the savings of the thrifty many are entrusted to the capable few who may use them for permanent investment in the development of the great productive enterprises, and for swift, continuous delivery of the products of farm and factory.

So I hope it is not now thought I transgress if I say a word for the capitalist. Who is the capitalist? There is no man here who is not a capitalist. Every one of you joins in this contribution which I have described. So I speak in antagonism, hostility, and hatred to any proposal to weaken or destroy the very basis of our industrial and our commercial system.

When I was a boy I learned to put a dollar in the savings bank, allured by the promise that at the end of the year I

would get back \$1.06. For many years 6 percent was the normal rate in this country. Then it dropped to 5 percent, and has kept on still further until the savings banks in my State now pay only 3 percent, a few under 3, and a few over, but most of them 3 percent. It is expected, I am told, that most of them will have to go down to 2½ percent by reason of the conditions brought about by this depression.

In this bill it is proposed to cut such rates still further. It is proposed because it is alleged there is something damaging to society in paying for the use of money the price determined by the law of supply and demand. On this score I protest against this or any other measure that will threaten the income of the thrifty people of our country, and thereby discourage thrift. [Applause.]

Next I will point out to you another menace contained in this bill, a fundamental menace. The building up of industry and commerce, of which I have spoken, by the lending of money has had for its very foundation good security. What should be good security may be a subject of debate.

Never before have I heard it contended that a 10-percent margin in a real-estate transaction is prudent or safe. A new house is a second-hand house the day after it is occupied. It drops in value more than 10 percent in the first year. The buyer's equity would be wiped out in that time, the lender's security gone. The yearly rent of a house is commonly expected to be 10 percent of its value. If a buyer lost his house at the end of a year, rent having balanced down payment, he would be worse off by only the small amortization payment, assuming he made one. If he took advantage of the length of time foreclosures require in some States, he could then get free rent for many months. What an opportunity for the chiseler!

I disagree with those who, when favoring this bill, see no harm in the entrance of Government into business, in competition with private enterprise. Through the depression we have seen the Government do this on the ground there was an emergency, and that it was necessary, in order to meet the exceptional need, for the Government to create great spending corporations under its complete control, and to make huge appropriations that came in conflict with business enterprise. This course, once entered upon, is hard to stop. There is a familiar quotation from Virgil, "*Facilis descensus Averno, sed revocare gradum hoc opus, hic labor est*"—"The descent to hell is easy, but to recall thy steps, this is the task, this the toil." The descent we have been making to hell, governmental hell, in this last 4 years will be found very hard to retrace.

Here comes another proposal that the Government shall engage in competition with its own citizens. For example, it is proposed in this bill to furnish Government backing for the construction of apartment houses. Anybody who has lived in Washington through the last 6 years must know there is probably no type of investment more risky, more dangerous than investment in apartment houses.

Four trust companies in Boston, one ward of which I represent, went on the rocks awhile ago in part because they financed this type of enterprise, and only within a few days, years after they failed, do I find some of the depositors are going to get back the final distribution of their money, but with a serious loss.

So you may go all through the land and find there is nothing in the way of real estate that has so much menace to our welfare as the apartment-house field. For my own part I look upon the apartment house as a menace not only to the Government and to business, but as a menace to society in its destruction of the family, and if I had my way I would take out of this bill every shred of support of any type of dwelling other than the independent, isolated home, and therein is another reason why I protest in this matter.

We were told that legislation we were enacting was to secure low-cost housing. We enacted a bill early in the year for the purpose, it was said, of low-cost housing. There was not a line in that law, not a word, not a punctuation mark, that had to do with low-cost housing. It was for slum clearance alone and the replacement of poor areas with costlier areas, of miserable, shameful buildings with buildings where

as a matter of fact the poor cannot live, where the humbler folk cannot go, because they cannot afford it.

If you want to know what the Government does in this direction, read the facts about Greenbelt out here, Greenbelt which you have financed, where the Government has invested about \$15,000 for every family that will occupy one of its apartments. The extravagance of government in these things is most deplorable, particularly in times when we ought to count every penny and harbor all our resources. Because government does worse than private enterprise in every undertaking in which it engages, because it increases the expense to all concerned, therefore, I protest against its going still further and invading the field, the most interesting and important and useful field of all industry, that of homes for the many.

Competition with private business runs through all of this bill. The men engaged in the handling of houses, those we used to call real-estate men—in modern language, the realtors of the country—are up in arms against this bill. They are sending us letters full of facts showing its dangers. Doubtless affected in some degree by self-interest, nevertheless, their statements based upon personal knowledge of what this law will do to the real-estate market, are to be thrown in the scale.

Turning to one illustration of the uncertainties, shall I call them, of the arguments advanced in behalf of this bill, let me say a word as to the scarcity of houses. I happen to be one of the trustees holding a four-apartment house in the very best location in a city of 100,000 persons. The apartments are in good repair. They provide all the comforts that are necessary for a person of moderate means. What has been my experience in connection with that house? One side of the block has not paid running expenses for 3 years. The other side has made a net profit in 3 years of \$78.82. Why, do you ask, has that come about?

In the first place, the tax rate in that city is \$44 on the thousand, almost 4½ percent on the assessed valuation of the property in question which I would be delighted to sell for \$2,000 less than the assessed valuation. Repairs take one-fourth of the income. A mutual life insurance company with which I am connected has in its possession 132 houses that it has been obliged to take by foreclosure and a report on the subject that I received within 3 weeks, contained the information that 26 percent of the rent, or more than one-fourth, was necessary for repairs. Add up these things and you will find rental property today is far from being a profit-attracting investment. It is a vain hope you see in this bill, the hope that you are going to encourage successful men of money to go into the real-estate field—a vain and idle hope.

Mine is not an exceptional case. A real-estate man in Kansas City wrote me a letter I received yesterday, telling me the same situation exists there. It exists all through the cities of the country.

Mr. SHORT. Thousands of them here.

Mr. LUCE. Everywhere you will find this same situation.

The President's words of appeal to men of affairs are fine, elegant, beautiful, but they do not accomplish results. You can lead a horse to water, but you cannot make him drink. You can lead the financiers of this country to this National Mortgage Association, but you cannot make them buy stock or debentures. I have had some part in this whole housing program from the beginning. When this National Mortgage Association idea was proposed, some enthusiastic young men from the other end of the avenue came down here full of confidence that they had solved the riddles of the universe. They induced us to experiment in this matter. I told the House at that time I would drown my fears in my hopes and go along with the bill. I did not expect it would work. It did not work. Because those to whom the thrifty people have entrusted their savings will not risk them in such an investment, not an association has been formed. Today I indulge in prophecy, a dangerous occupation, to the effect that here, too, there will be failure, and that the hopes of the country encouraged by the President will again be frustrated.

Indeed, Mr. Chairman, in what occasion have his hopes been accomplished? What of all that he has done has led to better conditions? The N. R. A. is dead as a doornail. While it was in existence it did little except to disturb, antagonize, and anger the businessmen of the country. The other proposals that he has made, equally hopeful, have failed in their main accomplishments, and we now find ourselves in a depression nearly as serious as that in which our troubles started. Through these 4 years and more we have made experiment after experiment, each new one conceived to try to make us forget the one it followed, each new one in all probability to be succeeded by some other experiment as long as the present administration is in power, and that is the reason for the recession alarming us today. Its cause is that no businessman dares to proceed, no businessman dares to risk his money.

It would be idle for you to say there is no money for housing. The banks are crowded with money, overflowing with money, but they cannot find any place safely to put it. Morning after morning we read the daily newspaper and wonder what next, O Lord, what next.

Therefore, while I hope that words, so bravely uttered, may encourage people to greater confidence, it is a hope in which I myself place no confidence, for nothing that is suggested, nothing that is presented, allays fear, and the bill before us is no exception.

Countless reasons for depressions have been given. After a Senate investigation in 1893, as I remember it, more than one hundred and twenty-five reasons were recorded by the Senate committee that investigated the matter, and I should say twice as many as that have passed over my desk in the last 5 years. They are symptoms, not reasons.

The real reason may be put into the four letters of the word I have just spoken—f-e-a-r. And all we can do here, and all the President can do, is to try to allay fear. Will you allay fear through a bill like this, which contains error after error, in point of economic principle, which contains a great deal of detail that not even your committee has mastered—a bill simply telling the country that if it will spend, the building industry may prosper. To that end it says, we will help by giving you money—not in direct appropriation, to be sure, not through an evident draft on the taxpayer, but nevertheless given, for you never get money out of the air or pull it off a bush or pick it up from the ground.

Every dollar that is spent comes from somebody's pocket. What is one man's meat is another man's poison, and all the meat you have given to the farmers, and all the meat that you have given in all the big bills you have been passing, and all the meat you propose to give here, is poison to the consumer, and everybody is a consumer.

As long as the cost of building is high and mass income low, you cannot have more housing, to important degree, without huge subsidy. The first thing to do is to restore confidence. Then, and then only, the situation will adjust itself. Meanwhile, stop futile attempts to amend the law of supply and demand. [Applause.]

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. STEAGALL. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. DOCKWEILER].

Mr. DOCKWEILER. Mr. Chairman, we are all familiar with the lines—

Breathes there the man with soul so dead
Who never to himself hath said,
This is my own, my native land!

I am afraid that these days in this great land of ours there are such men who, if they do not actually say this might not be their native land, yet in the bitterness of their heart, feel that this is not their country. Mr. Chairman, give me a land that is filled with a people who own their own farms and their own homes, who gather Christmas after Christmas around the fireside and the hearthstone that is their own, and you will give me a land that is filled with peace and contentment and happiness and patriotism. Unfortunately, however, many of the millions of souls in this great country

in the last 5 years have been forced to surrender these prized possessions, their homes. Through the iniquities of high interest rates and iniquities in some States of harsh laws that provide for abrupt foreclosures, that do not provide for a moiety of conscience and consideration of the equities in the case, these men and women have lost their homes. I believe that if this bill does but one thing, if it makes it possible for more of my fellow men in this country to earn or repossess themselves of a home, then we have very little to fear that there will be bred in this country any of the "isms" that have disrupted and destroyed the institutions of other countries equally as great as our own.

I believe if you look back over the pages of history, you will find that when Rome began to fall, or even in the days of ancient Greece, you can note that the seed was planted that spelled destruction for those great peoples, simply and solely by the fact that the homes and farms became untenable to the people of those countries, because they could not pay to keep those things, in the coin of the realm as it then existed.

If in these remarks I send home but one message, let it be this: I know the situation in the counties of my State and you are familiar with the situations of the counties in your States, but speaking only of my own, may I say that 80 percent of the expenditures of Government in my county are wrung from taxes paid by home owners and landowners. That may be the same in yours. Eighty percent of the revenue of my county comes from taxes levied against the home owners and real-property owners. Now, under this bill, suppose one of the plain people of this country should undertake to purchase a \$5,000 home at 5-percent interest; it would mean \$250 a year. Add to this a tax of \$250 and you make it almost impossible for these people to own their own homes. I hope this act will pass; it will help a great deal.

The CHAIRMAN. The time of the gentleman from California [Mr. Dockweiler] has expired.

Mr. GOLDSBOROUGH. Mr. Chairman, I yield such time as he may desire to the gentleman from Kansas [Mr. Houston].

Mr. HOUSTON. Mr. Chairman, most of the speeches made this afternoon on this legislation have been against the bill. They have inferred that we are afraid to go ahead, but want to play safe. It reminds me of a story I heard awhile back of a chap going down through one of the Southern States. He stopped and asked an old Kentucky colonel how his cotton was. He said, "I didn't plant no cotton. I was afraid of the boll weevil." He said, "How about your corn?" He said, "I didn't plant no corn. I was afraid we would not have enough rain." He said, "Well, what did you do—put it into potatoes?" He said, "No; I didn't put it into potatoes. I was afraid of the potato bugs." He said, "Well, what did you plant?" He said, "I didn't plant nothing. I just played her safe." [Laughter.]

I am going to vote for this legislation because I believe there is a little good in it, but I do not believe it will create any business boom. I think we ought to move cautiously. I do not think we should rush anybody into obligations that they cannot meet later on. [Applause.]

The building industry was the first to suffer in the depression as shown by the total of \$2,489,553,000 spent for new dwellings in 1929 as compared to \$262,942,000 spent in 1933. Progress has been made since 1933, but a large-scale housing program of construction by private industry is essential to recovery.

The amendments now offered to the National Housing Act are designed to encourage private construction of up to \$16,000,000,000 of homes by liberalization of the F. H. A. mortgage-insurance plan through lowering down-payment requirements on low-priced homes and reviving F. H. A. insurance for home repairs. It would permit insurance of loans up to \$8,600, insuring the first \$6,000 at 90 percent and the balance at 80 percent. Interest charges would be scaled down by a change in the former service charge and the insurance rate would be computed on outstanding balances from time to time instead of upon the original face value of

the mortgage. The rate may be as low as one-fourth of 1 percent for 90-percent loans and one-half of 1 percent for 80-percent loans.

In addition to providing easy credit for the individual desiring to construct a one-family dwelling, the amendment permits insurance of construction loans over \$16,000 and up to \$250,000 for multifamily projects; the developer obtaining insurance on 80 percent and the buyer of the individual family unit securing insurance up to 90 percent.

The housing problem throughout the Nation is of paramount importance and it has been estimated that about 750,000 dwellings per year for the next 10 years must be constructed to meet the needs of our growing population. Millions of workers depend directly upon orders for building materials, and it is generally conceded that the stimulation of construction is the quickest means of combating the existing business recession, at the same time provide proper housing facilities for the poverty stricken, and enable those who have heretofore been unable to accumulate a large down payment to enjoy ownership of a home.

This legislation has my support but I feel that I should say that in my opinion one of the greatest deterrents to home ownership is the present tax on real property. We all know that no part of this tax goes to the Federal Government and Federal officials are responsible only indirectly for a part of this tax rate, but the fact remains the local and State tax on real properties is unconscionably high. I maintain that Federal officials are indirectly responsible for part of it, for have we not encouraged the matching of Federal funds and the issuance of bonds to supplement Federal funds for the construction of municipal buildings? I believe it will be found that in most localities the annual tax on homes will amount to approximately one-third of the annual payments on loans under this amendment. The prospective home builder must well consider the taxes to be paid on his home, along with the expense for upkeep and the monthly payments under the housing plan.

We must depend upon the Federal Housing Administration and the lending agencies to acquaint the people with the total amount of their obligations after moving into their home, as it will only lead to grief if people are encouraged to build beyond their ability to pay. Because of the vicissitudes of life, there is always a danger of the investor losing his home, his down payment, and all that he has put into it. I raise this point at this time because I feel the matching of Federal funds by States and subdivisions is dangerous if not held within reasonable bounds, and this must be taken into consideration by Congress when other legislation pertaining to the match-dollar system is before us.

Real property cannot bear an increase of taxes; in fact, it should be relieved of part of the tax it is now paying. Financial institutions have raised objections to this new housing proposal such as the supply and demand of housing, and the effect which it may have on existing property values. Real estate depreciated about 50 cents on the dollar during the depression, but is now slowly coming back into its own. I am firmly convinced that the proposed law will be of benefit, although I doubt if it will in itself result in a \$16,000,000,000 increase in private construction; and also I am deeply concerned about the welfare of any home builder who with carefree abandon and boundless optimism plunges too deeply and awakens too late, but I feel we can depend upon Federal Housing Administration officials and lending agencies to work out a sound investment program for each individual.

Mr. GOLDSBOROUGH. Mr. Chairman, I yield 5 minutes to the gentleman from Indiana [Mr. Pettengill].

Mr. PETTENGILL. Mr. Chairman, I want to take just a few minutes to talk about the Ludlow resolution, and I hope that no point of order will be made.

That resolution may be called up on the second Monday of January. No one knows what will be occurring in the world on the second Monday of January next. I signed the petition about last April. I am one of the 218 Members who did sign the petition. I do not agree with the reso-

lution without amendment, but the cause of preserving peace is one that is entitled to the widest discussion. Nor do I think any harm has come from the Nation-wide discussion of Mr. LUDLOW's resolution. There is, however, as the Good Book says, a time for all things. On the second Monday of January the first signer of the petition, my distinguished colleague from Indiana [Mr. LUDLOW], is entitled to call up that resolution. If he fails to do so, then in the order of their signing, anybody else who signed may call it up, and it then becomes a matter of the highest privilege and not subject to postponement.

In response to a parliamentary inquiry, which I addressed to the Speaker as we assembled this afternoon, the Speaker ruled that, if the matter is not called up on the second Monday of next January, it may then be called up on any other second or fourth Monday of any month as long as the session lasts without losing its present parliamentary status. It seems to me that in fairness to the administration, which is confronted with a very difficult situation today, and in fairness to Mr. LUDLOW's resolution, it ought not be called up on the second Monday of January. It seems to me it would be the part of wise statesmanship and friendliness to the general purposes of the resolution and to Mr. LUDLOW, who has worked so courageously on this matter for the last 2 or 3 years, if all of the 218 who signed the petition leave the matter entirely in Mr. LUDLOW's hands, as to whether it will be called up on the second Monday in January, and if he does not call it up, that no other signer call it up at that time. I think in fairness to the resolution itself it would be very unfortunate to call it up at that time. As I said, I signed the petition months ago, before any of these recent incidents took place. It seems to me that the members of the press and some of the newspaper commentators, in ignorance of the situation, have unintentionally been rather unfair to Mr. LUDLOW.

It has gone out to the country in large part that this resolution was thrown into the situation by the gentleman from Indiana at a critical time with reference to the foreign affairs of this country. The fact, of course, is entirely different and very unfair to Mr. LUDLOW. The gentleman from Indiana has worked on this matter for the last 2 or 3 years to my certain knowledge. He filed the resolution to discharge the committee last March or April when nobody could anticipate the events of the last few weeks or the last few days. It seems to me, therefore, that we would do a good service to our country, and to the supporters of this resolution, and a good service to the President of the United States and to Secretary Hull, who are confronted with a very difficult and delicate matter today, if the 218 signers of that petition, myself included, did not call it up on the second Monday of January but left the matter of calling it up on some subsequent second or fourth Monday entirely in the hands of the gentleman from Indiana [Mr. LUDLOW].

Mr. PIERCE. Mr. Chairman, will the gentleman yield?

Mr. PETTENGILL. I yield.

Mr. PIERCE. I, too, am a signer of that petition, which I regret today very much. Would it not be the better wisdom on our part to bring up the resolution and dispose of it?

Mr. PETTENGILL. No; I do not think so, and for this reason: Any action on the resolution is bound to be interpreted in the light of the circumstances prevailing at the time. We all know what these circumstances are. If the House votes to discharge the committee, that action might be given a dangerously pacifist interpretation. If the House votes not to discharge, that action might be given a dangerously jingoistic interpretation.

Mr. PIERCE. It seems to me that otherwise it hangs dangerously over the State Department. I think it should be disposed of.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield to the gentleman from Ohio [Mr. JENKINS] such time as he may desire.

Mr. JENKINS of Ohio. Mr. Chairman, what I am about to say may not be of any interest to the Democratic membership. I shall indulge a feeble hope that it may interest Re-

publicans, for we must interest ourselves if we are to be ready to assume the great responsibility that shall surely be ours in 1940 and maybe before that time. This irresponsible, mismanaged, and maladministered administration is surely headed for the rocks of national bankruptcy. Our party must be ready to assume the responsibility of restoring our Government or to stand condemned before the world for having failed to save the only remaining free government among the nations of the world.

To do this we must present strong candidates and safe programs. Our men must truly be "of the people," and our programs must be "for the people." When I say "of the people," I mean of the choice of the people. When I say "for the people," I mean for all classes of the people. I hear these statements proved every day in a most practical way. I hear Republicans say that in order for our party to win again we must get the votes of the great rank and file. That means that we must present as candidates, for the consideration of the rank and file, men who are of them in spirit and in viewpoint. And we must present programs that they can understand as being for them in the sense that these programs will guarantee to them and their families a full life, social and political liberty, and a reasonable security against old age, poverty, and other serious vicissitudes of life.

Whether our candidates will be "of the people," and whether our programs will be "for the people" will depend upon who shall select the candidates and who shall write the programs. The nearer we can arrange it for the people to make their own choice of candidates and the nearer we can arrange it for the people to write their own program, the nearer we will be to success. In other words, we must employ Lincoln's accompanying phrase "by the people" in order to have a complete formula for deserving success. We must permit the candidates to be "of the people" and selected "by the people," and we must present programs "for the people" written by the people.

Already I see unmistakable signs that many of the people in our party who were thrown from power last year are again planning to regain their high positions in the councils of the party. They are ignoring the formula that I have already laid down in this address and are not considering whether their activities meet with the approval of the people or will be for the best interest of the people. They are determined to reclaim the power regardless of the wishes of the people.

Such an attitude is fatal to party success. It is poor sportsmanship. It is grossly unethical, and it is morally wrong. People frequently criticize politics and political parties, but they are an essential part of our system of government. Nobody knows this better than the man who has held a powerful position in the party. When he permits his own desire for power to break down his party success he is doing wrong. There is such a thing as "availability" in politics when we consider candidates. Mr. Landon is to be complimented for showing high sense of his duty when he realized that he was no longer an available candidate. Had he persisted when he knew that he should not again be our choice for President and when he knew the people almost unanimously agreed with him he would have done the party an injustice and his own good name an injury.

I am not advocating a complete house cleaning in the national councils of our party nor in the State councils. I am simply laying down the simple formula that if our party is to win we must first win the approval of the rank and file; to do this no man should be permitted to hold himself in positions of power unless he is the most available man for the place. And no man should put his own success ahead of the success of his party. When individuals prepare themselves to control national politics regardless of party success, their conduct is improper. It can only result in the defeat of the Presidential candidate and Senators and Congressmen. Likewise when individuals prepare themselves to control State policies regardless of party success their conduct is improper. It can only result in the loss of positions in the State house and in the county courthouses. Astute national

leadership should see that the best way to elect a President in 1940 is efficient work in electing as many Senators and Congressmen as possible in 1938. They must remember that the people do the electing. Likewise the State leadership should see that the best way to elect a President is for them to fill their courthouses and State houses with Republicans in 1938 and they must remember that the people do the electing. The people will not elect nominees who are not their choice and who are foisted upon them by leaders who are seeking to dominate. When national and State leaders do their own nominating by stifling the most popular candidates and by forcing their own choices without regard to the free choice of the people they are usually repudiated by the people.

It is not the province of the national committeeman for a State to attempt to dictate who the candidate for President should be. Neither is it his province to dictate who the candidate for Senator or Congressman or Governor or other State officials should be. He, above all men, should strive to see to it that the plain people down to the humblest voter has a free choice. Anything that he does to prevent this, strains party harmony and endangers party success. It tends to decrease the membership of his party. And so it is with a State chairman. Many State chairmen usurp their duties and bend their every effort to perpetuate themselves in their position. In all States in which primaries are held the State chairman has no moral right to perpetuate himself. He is not elected State chairman by the people. He is selected by the candidates or the State committee to manage the campaign of those who have been elected by the people. In theory the State chairman is expected only to serve during the campaign. In theory the State is divided up into districts and a State committee is elected by districts and these men are expected to select a chairman, who will be best fitted to conduct a campaign for the Governor and State officers duly nominated. In theory he should be a man in sympathy with their platform. He should be a man in whom they would all have confidence. They should not select a man to manage the campaign of a candidate for Governor against whom he had used all his influence in the primary. Therefore a sitting State chairman should not use his high office toward influencing voters in a primary contest. If he finds it necessary for him to actually espouse the cause of any candidate for any State office in the primary, he should resign from his position as State chairman. When he uses the influence of his high position to effect the nomination of any candidate he is clearly usurping his power. He was selected to manage the election of officials already nominated and not to nominate candidates in the next primary.

Carrying this logic on out the same philosophy applies to county committees. These are elected at the same time as the county candidates. Their principal duty after they are elected is to see to it that the Republican ticket nominated at the primary, from governor to coroner, gets the full Republican vote. After the election their duties are practically over. When their terms are about out they are frequently called upon for endorsements by ambitious candidates before the next primary. Of course, there is no moral wrong about this, but these committeemen can in all right and propriety refrain from giving these endorsements. It is no part of their duty to do so. When they are encouraged to do so by a State chairman or national committeeman or anyone who claims to be above them, they should in the interest of party harmony and success refuse to do so. They should, as the representatives of the voters in their precinct, stand up and resent this interference with their rights and the free choice of the people. In a way the central committeeman is the most important individual in the party organization, for he is about the only one elected by the people. The national committeeman is not elected by the people, and neither is the State chairman.

So I repeat again that, in order for the Republican Party to win, we must win from the bottom up. We must give the people the right to choose. If we fail to do this we deserve to lose. We cannot win from the top down. We cannot

win when the State chairman or the national committeeman or a few self-anointed leaders assume to know what the people want better than the people themselves do. This kind of a program is dangerous in many ways. It opens the door for Democrats to help choose the Republican candidates and vice versa. Suppose a Republican chairman and a national committeeman should sit down with a Democrat who is the owner of two or three strong newspapers, and with another Democrat who controls considerable wealth in the State, and they choose the Republican candidate for the Republicans and the Democratic candidate for the Democrats. That would be a fine arrangement for the choosers, but how about the people? The people will resent it, my colleagues, you may be sure, and make no mistake about it.

So I repeat again—and do not lose this one—the only way for the Republican Party to win is to deserve the support of the great rank and file. To do this the rank and file must have a free choice. No dictation from above but encouragement from below.

As the primaries approach let all contestants have a fair chance. The people as a rule know what they want. The county committeemen should be encouraged to see to it that all their voters have a fair chance to choose between candidates. This encourages more people to vote in our primaries and brings new strength into our party. The State chairman should have no connection with the primary, for he has not been elected by anybody. He has simply been chosen to manage the campaign for last year. The national committeeman likewise has no connection with the primary, for he has never been elected by anybody. He was chosen by the Republican delegates from his State at the Republican national convention at Cleveland last year to help manage the Republican national campaign of last year, and to help keep the party together until the next national convention in 1940. This is enough work for him I should think.

My friends, we Republicans must be sensible. We must appreciate that we cannot defeat Roosevelt unless we can get away from him about six million of those who voted for him last year. To get them we must convince them that our candidates are "of the people" and that our program is "for the people." [Applause.]

Mr. WOLCOTT. Mr. Chairman, I yield 20 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, I am a member of the Committee on Banking and Currency, have been in the real-estate business for some 40 years, and wish to make a few observations on this bill. It is, of course, regarded as a recovery bill—I presume another attempt at priming of the pump. What a job our President has had juggling with recovery and reform the past 4 or 5 years. As soon as he pays attention to reform, recovery goes out the window, and when we think we are to have a spell of recovery we find reform popping up.

Bridget said she had a hard time watching her husband and the fire both; if she kept her eye on one, the other went out. [Laughter.] And so prosperity and recovery have recently gone out. As the businessman declared, why did we have to lose \$27,000,000,000 under managed economy before the new dealers did anything? They froze bank reserves in order to prevent a little boom of prosperity, and when suddenly the new depression arrived the Securities and Exchange Commission was the least disturbed; in fact, apparently the least concerned people in Washington. Only after the \$27,000,000,000 in values had been wiped out were rediscount rates liberalized, margin requirements made less, and the other medicine administered which was supposed to be given before the patient was permitted to become seriously ill.

Like the gentleman from New York [Mr. FISH], I have heretofore labeled this "the Roosevelt panic of 1937." It is too true. And now we have another pump-priming proposition. We are to go to the bank, fill out and present the application for a loan. One of the first questions in the application is: "How old are you?" and then most of us are done. [Laughter.]

Amortized over 20 years. Are you going to be here to pay for it? No. [Laughter.] That seems to be about the most important question you have to answer. Talk about an income-tax blank. Have you seen one of these questionnaires you have to answer? Get one. After you tell your life history, every dollar you owe, every dollar you have saved, its whereabouts, everybody's notes you may have endorsed, all your financial secrets, then—if you are not too old—they may listen to you, but all this before they examine the real property. [Laughter.] That is a secondary proposition.

I wish there were a stock market for real estate. I can take securities and at least find a market. And when there is not a panic on our hands we can usually commute them into cash. We can own homes and often wait patiently for many years for a customer. I have read something about the Florida boom in real estate. I was in another one. Of all the dangerous investments on the face of the earth at present real estate is the most dangerous, and I should know what I am talking about. Shrewdness required at times, yes. [Laughter.] But let us see you sell your home at the moment you need or desire to sell it. It usually cannot be done. Foreclosure is the only sure method, and then the deficiency judgment on the mortgage rises up to plague you the rest of your life. In New York City they charge as much as \$500 as costs of foreclosure. We have allowed those in this bill up to \$75 only, in order to help the situation. I wonder how this exorbitant fee works. The mortgagee had better let the tenant stay, had he not, than foreclose at a cost of \$500? I do not know.

Mr. SIROVICH. How much does foreclosure cost in Massachusetts?

Mr. GIFFORD. A very small sum in comparison. But when in spite of long experience we, by legislation, are to guarantee and insure a mortgage to 90 percent of its value, we certainly seem to be going haywire. You know perfectly well that if you were one of the directors of a financial institution you would not do it. But you are to force our Government to do it, whether for the more abundant life or more abundant votes I do not venture to say.

Is this the only recovery measure the administration has, after calling us into special session? Just to open wider the vaults of the Treasury, as was done yesterday in the Senate by making yet another gift of a half billion dollars to the farmers? Is it only by rape of the Treasury that you can offer recovery? Is the Treasury the only resort, when we already have a contingent debt of five and a half billion dollars? Cannot something to allay fear be presented? Why increase fear at such a moment? This will not bring much money out of hiding, anyway. Another speaker has fully explained that we must not fear potato bugs and boll weevils, but plant anyway, no matter if we lose. May I say that a 3-percent investment in United States bonds, without trouble of services as is necessary in mortgages, will be still regarded as better than 5 percent, even in insured mortgages. This insurance does not cover the foreclosure costs, as you know, except the \$75 now permitted in this measure. The banks will think many times before they make an investment of this kind when the mortgagor is involved only 10 percent.

This bill is merely a gesture. Is this the answer of your administration and your President to the country after he has brought us into the unhappy conditions that exist in the country today? Is this actually his only answer? We have been here some 5 weeks. We have passed a bill to pay the pages and our mileage; nothing else. With the business life of the Nation going down and down like a plummet, according to last week's business index, is this all you can offer, with all the vast powers delegated to your administration by recent Congresses?

Oh, we pray that something may be suggested which will bring a little assurance. You send for the power interests of New York and assure them that if they will invest in additions and improvements we promise not to have any T. V. A. up there. That assurance brought results! Why

can we not hear other power interests say, "We practically have a promise that the Government will not go into further competition with us? With such assurance we think the public would lend them money and buy their securities. Of course, those companies must be assured there will be no competition backed by Government funds. The public will not buy utility securities, with the threat of Government competition hanging over them. The President could cure this situation in few words, because he is "It." That is all that is needed. Remove the investor's fear of "him."

I like to read from Mr. Moley, who was the President's original most trusted adviser. He was regarded as second in authority to the President, for some little time. He has written recently about this ridiculous story which was current that the businessmen intentionally caused this depression to spite the President of the United States.

Mr. HOUSTON. Will the gentleman yield?

Mr. GIFFORD. To tell me more about boll weevils and potato bugs; yes.

Mr. HOUSTON. I suggest the distinguished gentleman from Massachusetts—and I am always glad to hear him—move away from the Old Guard rail a minute.

Mr. GIFFORD. I moved away from there and away over there for a time on yesterday.

Mr. HOUSTON. The gentleman made a remark a while ago that the Senate yesterday opened the door to the extent of \$500,000 to be thrown away. Under the Hoover administration, as I understand it, the doors were thrown wide open and under the Federal Farm Act did they not throw out between four and six million dollars while your Presidents vetoed the McNary-Haugen bill?

Mr. GIFFORD. Oh, if we only had some such men now as President! That would be the answer to the Nation's prayer. We had efficient Presidents, not publicity men.

Mr. HOUSTON. Did the gentleman say "a fish" for President?

Mr. GIFFORD. I have heard there might be a transfer to Hollywood sometime. I want to quote Mr. Moley in his comments that the businessmen, to spite the President, had brought about the depression.

He said that he went out into the West and continually heard this statement and it seemed to be believed by some people. He stated:

On the score of implausibility it implies that those whose chief characteristic is selfishness, as we have been told during the last 4 years, forgot their own interests to the extent of sacrificing some \$30,000,000,000 of their possessions for the sake of embarrassing the President. It supposes men are delighted that industrial output will, by this month, have fallen 25 percent since last March.

In other words, these men would practically ruin themselves just to embarrass your President.

There were two official recognitions of that argument. One was from the Securities and Exchange Commission. Secondly, the President asked the Federal Trade Commission if they would look up and see how much monopolies had to do with bringing about the depression. What alibis!

Mr. SIROVICH. Will the gentleman yield?

Mr. GIFFORD. I shall have to.

Mr. SIROVICH. On March 4, 1933, when Herbert Hoover left the Presidency of the United States, the value of all utilities that the gentleman has been talking about, in bonds, debentures, and common stock, had fallen from \$19,500,000,000 to \$1,750,000,000. Today it is twice the value it was at that time.

Mr. GIFFORD. I have acknowledged all that, but I also assert that from November 4, 1932, to March 4, 1933, is the period of the real avalanche.

Mr. SIROVICH. But it is still twice as much as it was when the Republican President went out of office.

Mr. GIFFORD. Oh, yes. History will record when the situation is fully understood that that 4-month period of lack of cooperation, when you were in power here, was the real period of the catastrophe, largely because of the uncertainty and fear produced by the result of the election.

Mr. WHITE of Ohio. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from Ohio.

Mr. WHITE of Ohio. Is it not true there is a distinction between the 1929 and the 1937 depressions in that the 1929 depression was an economic disturbance of world-wide proportions, whereas the 1937 depression is peculiar to the United States alone?

Mr. GIFFORD. The 1937 depression is "the Roosevelt depression." Everybody knows that, and there can be but little argument to refute it. No one seems even to have tried to do so. We gave him vast powers. He promised that a depression could not happen again, and just before this last one began he gloried in the prosperity and said he planned it that way. Let no one make any mistake about that. Brave words. Let him take the credit for the prosperity, if you wish, but let him also bear the responsibility for this needless depression.

I appreciate the wonderful speech made by the gentleman from Massachusetts [Mr. Luce]. He told you today who the bankers really are. The depositors, the middle class of the people, are the ones you have been railing at when you say "the bankers."

Let us consider the state of our Treasury. On yesterday I read that the Chairman of the R. F. C. will ask us to mark off his books about \$2,500,000,000, so that the Treasury will no longer claim so many recoverables and continue to carry them as assets. Can we not awaken, as Senator Robinson awakened just before his untimely death, to the extremely serious situation we face with regard to our Treasury? You believe the way to turn deficits into surpluses is to spend more. You would probably deem it very bad for individuals and corporations, but you believe it is a sign of health in the Treasury of the United States. Where do you get such reasoning?

Tragic indeed is our situation. This depression was man-made. Your great desire to reform the country has caused havoc in the confidence of thinking people. Millions of people who were sympathetic are now beginning to question the soundness of these many so-called reform measures already passed. They dread what may come in the future. Let us see you coax them to invest, even with a guaranty and insurance by a Treasury that itself may be in jeopardy.

The gentleman from Massachusetts [Mr. Luce] told you some of the provisions in the bill were the Bodfish amendments, formerly well received but now declared to be wrecking amendments. What are you doing to the building and loan associations? You are forcing them to go Federal all the time; forcing them to come under the umbrella of the Government. Their appeals were totally ignored. The committee would not listen. We would offer an amendment, and immediately were heard the words, "I move to table it." No consideration whatever was given. Their fate is the worry of this bill. The building and loan associations, financed by the middle class of the people, have been very, very successful, yet they are to be perhaps supplanted by institutions with 80- or 90-percent guaranty by the Government. How can they now do business? Those amendments simply seek to have you put them on the same plane and give them an equal chance, but you will not consider them. [Applause.]

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I yield to the gentleman from New York [Mr. BEITER] such time as he may desire.

NATIONAL HOUSING ACT AMENDMENTS

Mr. BEITER. Mr. Chairman, I want to urge approval of the proposed amendments to the National Housing Act. I have received many letters of commendation of the proposals to stimulate construction and to reduce the cost of financing home ownership. I am quoting herewith from a letter received from a prominent banker in my district who indicates general approval of the plan of this act and suggests several changes:

I write you in reference to the proposed new F. H. A. regulations. I have noted in the press that it is contemplated to increase the guaranteed amount on F. H. A. mortgages to 90 percent on values

not exceeding \$6,000; also, a contemplated reduction in the interest rates to be charged by the loaning institution, as well as a reduction in the rate of insurance by the Government. It would appear that the satisfactory results already evidenced by the Government in their insuring of these mortgages would indicate that the rate of insurance could safely be reduced. However, I question the advisability of reducing the interest rate to be received by the loaning institution. Mortgages, which now bear 5 percent, are becoming quite readily salable at a very slight premium in some instances, and no premium at all, I believe, in most instances; at least, that has been our experience. Should a lower interest rate be provided to the loaning institution, it might tend toward slowing up the flow of money for financing these mortgages, which naturally would tend to thwart the purpose of the new set-up. I take exception also to the \$6,000 limit. I believe this should unquestionably be a \$7,500 limit.

I convinced my board of directors in the very inception of F. H. A. that these mortgages would make the finest type of investment that any bank could have and we became one of the few banks in our territory who believed and carried out this idea and have, I feel, been well rewarded for our interest in F. H. A. mortgages. Not only did F. H. A. make it possible for us to acquire very fine investments, but it also provided for the disposition of thousands of dollars' worth of ours and our customers' real estate. Ofttimes these customers' finances were in such shape that unless we, as a bank and ourselves as a construction company, put forth a combined effort, their real estate would have become other real estate in our bank's portfolio.

Not only has the F. H. A. plan made the foregoing things possible, but has created thousands of dollars' worth of income for labor and the use of thousands of dollars' worth of materials, which ultimately represents another item of labor.

The past discourse on the benefits of F. H. A. is simply brought to your attention to help you realize what can be done in the future, especially if the terms are modified in the two respects I mention; namely, lowering the insurance cost and loaning up to 90 percent on homes in the \$7,500 and under class. The average value of houses we have built and financed under the F. H. A. plan has probably run about \$5,500, but you see this includes homes which were built over 2 years ago at a far less cost than they can be reproduced for today and also includes quite a number of low-cost homes. Our average today runs well over \$6,000. While you might say that the new act is to help the lower-income bracket, this may all be true, but our experience has shown us that the man who is able to finance a home over \$6,000 in this community, is far in excess of the number who are satisfied with a home of less than \$6,000.

Inasmuch as your object is to create employment, surely the Government should follow along the line of greater volume, and the greater volume will be reached if the maximum be \$7,500 rather than \$6,000, and I believe from our past experience with our F. H. A. loans at the bank, I am safe in saying that at the present time it would be a safe practice to insure up to 90 percent on homes valued as much as \$7,500.

Of course, I am vitally interested in new legislation that will benefit real estate and occasion employment.

The CHAIRMAN. All time has expired. The Clerk will read.

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that the reading of the bill be dispensed with, and that the bill be considered as read.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

Mr. WOLCOTT. Mr. Chairman, I must object to that.

Mr. SHORT. Mr. Chairman, I object.

Mr. McCORMACK. Mr. Chairman, will the gentlemen reserve their objections? Why would it not be a good idea to have the bill considered as read, but to be considered section by section for amendment?

Mr. STEAGALL. Of course, that was contemplated in my request.

Mr. WOLCOTT. There was so much confusion in the reading of the wage and hour bill last night that we want to keep this proceeding clean.

Mr. SHORT. Mr. Chairman, I object.

Mr. McCORMACK. I may say the waiving of the reading of the bill yesterday came from the Republican side.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted etc., That this act may be cited as the "National Housing Act Amendments of 1937."

Sec. 2. Section 201 of the National Housing Act, as amended, is amended by striking out the words "As used in this title" and inserting in lieu thereof the words "As used in section 203 of this title"; and by amending subsection (a) of such section to read as follows:

"(a) The term 'mortgage' means a first mortgage on real estate in fee simple or on a leasehold (1) under a lease for not less than

99 years which is renewable, or (2) under a lease having a period of not less than 50 years to run from the date the mortgage was executed; and the term 'first mortgage' means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate under the laws of the State, district, or Territory in which the real estate is located, together with the credit instruments, if any, secured thereby."

Sec. 3. Section 201 of such act is further amended by adding at the end thereof a new subsection to read as follows:

"(c) The term 'maturity date' means the date on which the mortgage would mature if paid in accordance with periodic payments provided for therein."

Sec. 4. Section 202 of such act is amended by inserting after the word "title" where it first appears in such section the words "with respect to mortgages insured under section 203."

Sec. 5. Section 203 (a) of such act is amended to read as follows:

"Sec. 203. (a) The Administrator is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him which is eligible for insurance as hereinafter provided, and, upon such terms as the Administrator may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That, except with the approval of the President, the aggregate outstanding principal obligation of all mortgages insured under this title shall at no time exceed \$2,000,000,000: *And provided further*, That on and after July 1, 1939, no mortgages shall be eligible for insurance under this title except mortgages that cover property which is approved for mortgage insurance prior to the completion of the construction of such property, or cover property the construction of which was commenced after June 27, 1934, and completed before July 1, 1939; except that this proviso shall not apply to any mortgage on property which, at any time, has been covered by a mortgage insured by the Administrator."

Mr. LUCE. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. LUCE: Section 5, page 3, line 4, strike out "July 1, 1939" and insert in lieu thereof "January 1, 1938."

Mr. LUCE. Mr. Chairman, I have been associated with the passage of the three great housing bills prior to this one. I introduced the first of these bills for the administration, and shared through months in perfecting it. In that work I found no man gave more help, no more valuable help, than the man who of all residents of the United States is, in my judgment, best informed about these problems—Morton Bodfish.

Mr. Bodfish became interested in the home thrift movement, and presently as an officer of the United States Building and Loan League, was entrusted with laying before the committees of Congress the views of that league. Then he was appointed a member of the first Home Loan Bank Board.

Returning to his work for the league, he became its executive vice president, and as such was authorized to present the views of the league whenever occasion arose. Usefully associated with him in the work of helping Congress know the views of the league have been Mr. I. Friedlander, of Houston, Tex., a past president of the league, and Mr. Henry F. Cellarius, of Cincinnati, now executive secretary of the league. Others helped also, but those I mention were invaluable to the committee when this legislation began.

This year Mr. Bodfish came before the committee and presented at length the views of the league. He suggested 17 changes, and those suggestions, I say with complete confidence, were meant with the purpose of improving the bill and not presented through hostility to the bill. They were amendments out of the depths of his long experience and his wide acquaintance with the subject both in this country and in England.

The rules of the House do not permit me to disclose the treatment of those suggestions in the committee, but inasmuch as my colleague and associate on the committee has without protest seen fit to give a general idea of what went on in the committee, I feel that I do not transgress the rules of the House in saying that every one of those 17 suggestions was brushed aside without consideration. In view of that I have felt warranted in disclosing to the Committee of the Whole how some of us feel about this matter. I do not rise to argue the merit of the suggested amendments to be offered in the course of the reading of the bill; that is unnecessary at least at this point. Perhaps others who feel as I

do may comment upon the various suggestions. Here I may say only that we feel the 10,000,000 members of the building and loan associations ought to know how they have been affronted, ought to know that their views have been ignored.

[Here the gavel fell.]

Mr. WHITE of Ohio. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, one of the great needs in the present economic situation is to stimulate activity in the heavy industries. This need has been apparent ever since the beginning of the depression and has certainly been emphasized by the reversal of business in the last 3 months by the steady increase of unemployment, which is so vitally affected by the condition of the heavy industries of the United States.

I would like to be able to support legislation for a housing plan that is fair to private enterprise and thereby give logical promise of fulfillment of the need of stimulating the heavy industries.

I heartily agree with the pronouncement of the President of the United States in his message to Congress when he expressed the principle which was supposed to be the underlying basis of this legislation. He said, "Private enterprise and private capital must bear the burden of providing the great bulk of new housing." I would like to see this bill corrected so that it would more nearly conform to this principle enunciated by the President of the United States.

The amendment that has been offered by the gentleman from Massachusetts with regard to the date in this bill concentrates upon the need of new construction and new employment. The change is simply this: That under its present terms the legislation provides for the retirement of the F. H. A. from insurance of existing private-mortgage debts on July 1, 1939. With the change proposed in the amendment, the money will not be used to guarantee mortgages now in existence, but, instead, will be applied to the need for new construction and new employment. If this amendment is adopted it will properly concentrate the F. H. A. on guaranties which would encourage and support new construction in greater volume and help the very definite need that exists at the present time for the immediate stimulation of new construction and the revival of employment, which, after all, is the vital purpose of this bill. I hope, therefore, that the amendment will be adopted.

Mr. Chairman, I ask unanimous consent to withdraw my pro forma amendment.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. GOLDSBOROUGH. Mr. Chairman, the reason the date is fixed as July 1, 1939, is because at this time in this country there is a great deal of property which is in imminent danger of being foreclosed under mortgages. The committee felt it necessary to stop these foreclosures in order to reestablish confidence and protect this property, much of which is in process of construction. This is the reason the time was fixed at July 1, 1939. The committee considered it very carefully and were unanimous, so far as I know, in fixing the date.

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I move that all debate on this amendment do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

The Clerk read as follows:

Sec. 6. Section 203 (b) (1) of such act is amended to read as follows:

"(1) Be held by a mortgagee approved by the Administrator as responsible and able to service the mortgage properly."

Sec. 7. Section 203 (b) (2) of such act is amended to read as follows:

"(2) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Administrator shall approve) in an amount—

"(A) not to exceed \$16,000 and not to exceed 80 percent of the appraised value (as of the date the mortgage is accepted for insurance) of a property upon which there is located a dwelling or dwellings designed principally for residential use for not more

than four families in the aggregate, irrespective of whether such dwelling or dwellings have a party wall or are otherwise physically connected with another dwelling or dwellings, or

"(B) not to exceed \$5,400 and not to exceed 90 percent of the appraised value (as of the date the mortgage is accepted for insurance) of a property upon which there is located a dwelling designed principally for a single-family residence the construction of which (i) is begun after the date of enactment of the National Housing Act amendments of 1937 and which is approved for mortgage insurance prior to the beginning of construction, or (ii) the construction of which was begun after January 1, 1937, and before the date of enactment of such act, and which has not been sold or occupied since completion: *Provided*, That with respect to mortgages insured under this paragraph the mortgagor shall be the owner and occupant of the property at the time of the insurance and shall have paid on account of the property at least 10 percent of the appraised value in cash or its equivalent, or

"(C) (i) not to exceed \$8,600 in respect of a property which complies with the conditions set forth in paragraph (B) above except as to the amount of the principal obligation, and which has an appraised value (as of the date the mortgage is accepted for insurance) in excess of \$6,000 but not in excess of \$10,000, and (ii) not to exceed 90 percent of \$6,000 of such value plus 80 percent of the balance of such value."

Mr. LUCE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: Page 4, section 7, in line 7, strike out \$5,400 and insert in lieu thereof the words and figures "\$4,500 to \$7,200, depending on and varying with the size of the town or city and the prevailing cost of providing homes for persons of low or moderate wage income, to be prescribed in rules and regulations by the Administrator."

Mr. LUCE. Mr. Chairman, I make this motion purely in order that the RECORD may show what the suggestion of the building and loan association was in this matter.

Mr. Chairman, I ask unanimous consent to withdraw the amendment. It was in part met by the action of the committee in adopting another amendment, but there is still another consideration.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. CRAWFORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CRAWFORD: On page 5, line 6, after the period, following the word "value", add the following language:

"In all cases where mortgage insurance is applied for in an amount in excess of 80 percent of the appraised value of the property the applicant shall submit an agreement in form satisfactory to the Administrator, executed by the building contractor, a building-material dealer, real-estate developer, or any other person, firm, or corporation immediately profiting from such building transaction, effectively binding such person, firm, or corporation to cosign or endorse such loan over and above 75 percent of the original appraised value, and binding such person, firm, or corporation to deposit in cash or securities acceptable to the Administrator and approved by the mortgagee an amount equivalent to 5 percent of such loan with the approved mortgagee to secure such agreement, and final mortgage insurance shall not be granted in such cases until there has been compliance satisfactory to the Administrator."

Mr. CRAWFORD. Mr. Chairman, this section deals with the matter of the advancing of 90 percent of the appraised value in the way of insured loans to the man who wants to build a home. The amendment has been suggested by the League of Building & Loan Associations, and it comes directly from the experience in Great Britain where in their housing acts they require the contractors and the builders to go along and help carry some of this risk.

The crude diagram I have placed on this blackboard illustrates what would have happened the last 12 years on the basis of a \$6,600 house, meaning to say a house that could have been built in 1925 for \$6,000 would cost you about \$6,600 to build today.

You start out with your 90-percent proposition as set forth in this bill over a 20-year period. Paying your loan of \$6,000 within the 20 years, this line here [indicating on chart] indicates the diminishing amount of the principal as you make your payments. The shaded area shows the equity which that mortgagor would have in his home as he moved along from time to time. The striped area represents the market value of the house, while this line running up this way represents the price it would cost to replace the property. So,

as your market declines, the equity is wiped out, as indicated by the shaded area.

At this point, or roughly in 1929, his equity would have disappeared entirely because the market price of his home dropped to such an extent. When you get over to the period 1934 to 1936, we will stay, his equity comes back into the picture because of the increased market value of real estate and cost of material and labor entering into the building of a home.

What will be the situation under this bill when you advance as much as 90 percent and the owner of the home goes along and pays for 2, 3, or 4 years, then runs into a real-estate depression? He finds his equity is greatly diminished and the market value of his home is way below the amount still owing on the mortgage. There is only one answer and that is that thousands of people operating under this kind of a program will desert their homes and they will then become the property of the Federal Housing Administration. Remember I am talking from Britain's experience after which we have very largely copied our entire Federal housing program.

This chart is prepared by the Real Estate Analyst, an absolutely unbiased publication. They are not real-estate operators or owners. They put out only real-estate facts. This illustrates, as I said, what would happen on a 90-percent loan over a 20-year period with your erratic fluctuations in market values and the fluctuations in the cost of replacing homes.

Mr. Chairman, I ask that the amendment be agreed to, and thereby have those who profit most out of this program participate in carrying the great risk until there has been paid on the obligation a sufficient amount to give a reasonably safe margin to the Federal Housing Administration. This is fair and in line with thoroughly sound financing principles as have already been demonstrated by experience in the British Isles. Without this amendment, those who supply and build will be able to take out of the deal 100 percent of their pay, profit and have no risk whatsoever. To permit such a situation is entirely unfair to all other parties concerned and especially the taxpayers of the Nation who make contributions to the Federal Treasury with which to absorb these losses.

Mr. STEAGALL. Mr. Chairman, I do not think any member of the committee would seriously deny that this amendment, if adopted, would destroy the effective operation of the most desirable provisions of this bill, the object of which is the encouragement of the construction of homes at small cost by people of small means.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. CRAWFORD].

The amendment was rejected.

Mr. ELLENBOGEN. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. ELLENBOGEN: Page 3, line 18, strike out all of lines 18 to 25, inclusive, all of page 4, and lines 1 to 6, inclusive, page 5.

Mr. STEAGALL. Mr. Chairman, I ask that all debate on this section close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

Mr. WOLCOTT. Mr. Chairman, I object.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto close in 5 minutes.

Mr. ELLENBOGEN. Mr. Chairman, I do not yield for that purpose.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. ELLENBOGEN] has been recognized for 5 minutes.

STRIKE OUT SECTION 7 AND LIMIT INSURANCE OF MORTGAGES TO 80 PERCENT OF APPRAISED VALUE OF HOME

Mr. ELLENBOGEN. Mr. Chairman, the amendment which I have offered strikes out all of section 7, thereby reinstating the original Federal Housing Act as we passed it in 1934.

Section 7 of this bill provides for insurance of homes up to 90 percent of the appraised value. This, I think, is unsound. Insurance up to 90 percent of the appraised value is an unsound financial transaction. The appraised value of a home depends on the individual opinion of the appraiser and naturally fluctuates from time to time. During the past few years the appraised value has generally exceeded the market value; at any rate, it has exceeded the price which one could receive for the dwelling on the open market.

A MORTGAGE UP TO 90 PERCENT FORCES ALMOST INSTANTANEOUS FORECLOSURE IN CASE OF DEFAULT

If a mortgage up to 90 percent is placed, it means that if the home owner defaults in the payment of only a few monthly installments the mortgagee will be forced to foreclose in order to save his investment, because to the 90-percent mortgage must be added payments for taxes in arrears, insurance, foreclosure costs, and other expenses, which total far more than the remaining 10 percent. This necessarily will result in the acceleration of foreclosures. It will deprive thousands and thousands of home owners of the 10-percent investment, which often constitutes their only savings and which they have put into the transaction.

THE BEST OPINION SUPPORTS ME IN INSISTING THAT WE LIMIT MORTGAGES TO 80 PERCENT OF THE VALUE

Mr. Chairman, I am not alone in my opposition to section 7. I am not alone in insisting that mortgages for more than 80 percent of the value of a home are unsound. Many of the leading industrialists and financiers of this country, men of experience and ability, insist that this is an unsound proposition.

THE HOME OWNER WILL LOSE HIS INVESTMENT; THE SPECULATIVE BUILDER WILL BE PROTECTED BY GOVERNMENT BONDS, AND THE GOVERNMENT WILL HAVE TO STAND THE LOSS

Under the National Housing Act of 1934 the Federal Housing Administration, a Government institution, insures mortgages on homes up to 80 percent of the appraised value. It is proposed in the pending bill to increase this insurance to 90 percent of the appraised value. The pending proposal does not help the prospective home owner. It lures him into building a home when he does not have sufficient resources and when the probability is that he will quickly lose his original investment. It encourages speculative builders to build homes, unload them on innocent victims, and take a Government insured mortgage.

The speculative builder cannot lose in this proposition because he is protected by the Government insurance. If the mortgage is defaulted, he receives 3-percent bonds guaranteed by the Government for his investment. He cannot lose, but the Government can and will lose. The Government will suffer great losses without helping the home owner.

The result of this whole proposal will be that the prospective home owner will invest 10 percent which he will lose, and the speculative builder will receive his profit and his investment in the form of Government bonds. The Government, however, will be left holding the bag and will be forced to take over the property for the Government-guaranteed mortgage which, together with foreclosure and other expenses will exceed the value of the home.

To put this in another way: The financial institution which places the 90 percent mortgage takes no risk, because the Government insures the mortgage. When the mortgage is foreclosed, the Government returns to the private investor or to the financial institution 100 percent of the amount of the mortgage, plus any sum he may have paid out for taxes or insurance on the property.

Section 7 plays the home owner and the Government for suckers. If this section is allowed to remain in the bill, it will cost the Government millions and millions of dollars and will accelerate the foreclosure of thousands and thousands of homes.

I am proposing an amendment in the interest of the home owner and in the interest of sound financing. I plead with you to adopt this amendment.

Mr. CASEY of Massachusetts. If the gentleman will yield, if the amendment of the gentleman is adopted, what percentage will prevail?

Mr. ELLENBOGEN. If this amendment is adopted, the same situation will prevail as now exists, which is insurance up to 80 percent of the value of the home.

In most of the States it takes many months, in some of them more than 18 months, to foreclose. The interest which accumulates on the indebtedness during the process of foreclosure will in most cases far exceed the remaining 10 percent. On any home which has to be foreclosed the Government will have to take a terrific loss.

By placing mortgages up to 90 percent we force speedy foreclosures and deprive people who have little money of their small investment. By passing unsound legislation we take their money and shatter their dream of owning a little home. [Applause.]

Mr. PETTENGILL. Mr. Chairman, will the gentleman yield?

Mr. ELLENBOGEN. I yield to the gentleman from Indiana.

Mr. PETTENGILL. The gentleman's argument is that this provision makes it impossible for a creditor to be lenient to his debtor when the debtor has lost his job?

Mr. ELLENBOGEN. You are absolutely right.

Mr. PETTENGILL. This provision will accelerate reaching the depth of the next depression.

Mr. ELLENBOGEN. Precisely. It compels a creditor, even if he is lenient, to foreclose quickly because there is practically no equity whatever in the home.

[Here the gavel fell.]

Mr. WOLCOTT rose.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this amendment do now close.

The CHAIRMAN. The question is on the motion of the gentleman from Alabama [Mr. STEAGALL].

The question was taken; and on a division (demanded by Mr. WOLCOTT) there were—ayes 66, noes 44.

Mr. WOLCOTT. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. STEAGALL and Mr. WOLCOTT.

The Committee again divided; and the tellers reported that there were—ayes 80, noes 40.

So the motion was agreed to.

The CHAIRMAN. The question is on the amendment of the gentleman from Pennsylvania [Mr. ELLENBOGEN].

Mr. RICH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. RICH. Mr. Chairman, when a chairman in charge of a bill tries to close debate in Committee of the Whole, is it not possible for a member of the committee having the bill in charge to have the privilege of the floor?

The CHAIRMAN. A motion was made to close debate, and the motion was in order.

Mr. RICH. I appreciate that, but a member of the Committee on Banking and Currency was trying to address the Chair.

The CHAIRMAN. The Chair may state that a motion of the character made by the chairman of the committee is not debatable.

Mr. RICH. It seems to me the courtesy of the House requires that a member of the committee at least have the privilege of addressing the Chair.

Mr. WOLCOTT. Mr. Chairman, I offer a preferential motion.

The Clerk read as follows:

Mr. WOLCOTT moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. ELLENBOGEN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. Does the gentleman from Michigan yield for a parliamentary inquiry?

Mr. WOLCOTT. I do not yield for that purpose, Mr. Chairman.

Mr. ELLENBOGEN. Mr. Chairman, I make the point of order that the Chair had already put my amendment to a vote when the gentleman from Michigan offered his amendment. I believe a vote cannot be interrupted by the offer of a motion.

The CHAIRMAN. The Chair may say to the gentleman from Pennsylvania that the motion offered by the gentleman from Michigan is a preferential motion.

Mr. ELLENBOGEN. Yes; but the Chair had already put the question on my amendment.

The CHAIRMAN. The gentleman from Michigan is recognized for 5 minutes.

Mr. WOLCOTT. Mr. Chairman, this is but a fair example of what happened in the Committee on Banking and Currency during the consideration of this bill. I believe, therefore, that the minority is justified in protecting its stand in all fair and legal parliamentary ways. The only manner in which I could get an opportunity to speak on this amendment was by moving to strike out the enacting clause. I may say to the gentleman from Alabama, the chairman of the committee, and to the other members of the majority, that we have several motions to strike out the enacting clause, and we will offer them, if it becomes necessary, so our side of this question may be thoroughly considered.

I stated in general debate that this particular section was obnoxious because it would dry up credit which might otherwise be available for investment in homes. I am pleased the gentleman from Pennsylvania [Mr. ELLENBOGEN] feels as we do in this respect. The gentleman from Pennsylvania has been before our committee on numerous occasions in the past 3 or 4 years, to my knowledge, and has given deep and conscientious study to the housing question. He is in position to know as well if not better than any member of the Committee on Banking and Currency the effect this particular section will have upon home financing.

I agree with the gentleman because I conscientiously feel that the point taken by the financial institutions that this might result in the drying up of credit is well taken. We have been told repeatedly this is what is going to happen, and it will happen. There is no question about it. It will destroy the market for resales as well and thereby demoralize your entire real-estate market.

Mr. Chairman, it may be expecting too much that we be given an opportunity to present our views as we go through this bill, but I am going to make an honest and conscientious request that you understand the bill and know what you are doing. Please do this. For the sake of the people in your districts that want to build homes, please, for their sake, if not to maintain your own intellectual integrity, understand what you are doing. This bill will not only destroy the market for resales but it will destroy the market for any investment in real estate, because we build up a psychology against real-estate investment which makes it impracticable for any man to invest in real estate, even to the extent of building a home, because if he does not feel he is going to get the money out of his home by the establishment and maintenance of a market for that home by the Federal Government, then he is not going to invest. He is going to continue to rent as long as he finds it economically advisable to rent instead of build.

Mr. STEAGALL. Mr. Chairman, in order that Members who may not have been on the floor at the moment may understand what took place, I may say that the gentleman from Pennsylvania [Mr. ELLENBOGEN] offered an amendment, which he was permitted to discuss under the rules, and upon which I moved a vote without giving anybody an opportunity to answer his argument or to oppose his amendment. This is how unfair we were. If we were unfair, we were unfair to the opponents of that amendment, and the amendment did not come from the minority side, as the Members may have been led to believe by the gentleman who has just taken his seat, and who proceeded to discuss the amendment, upon which debate had been closed by a vote of the Committee.

Mr. Chairman, I move that all debate on the pending amendment—

Mr. MICHENER. Mr. Chairman, I make a point of order against that motion.

The CHAIRMAN. The Chair would rule that the proper procedure is to pass first upon the motion of the gentleman

from Michigan [Mr. WOLCOTT] that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. LUCE. Mr. Chairman—

The CHAIRMAN. For what purpose does the gentleman from Massachusetts rise?

Mr. LUCE. I rise in opposition to the motion.

The CHAIRMAN. The gentleman from Alabama has been recognized for 5 minutes in opposition to the motion.

Mr. LUCE. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. LUCE. Mr. Chairman, the gentleman from Alabama, upon taking the floor, made no motion. Was the gentleman in order?

The CHAIRMAN. The gentleman from Alabama, the Chair takes it, rose in opposition to the motion of the gentleman from Michigan.

Mr. LUCE. Mr. Chairman, may the Chair make a supposition to that effect?

The CHAIRMAN. The Chair believes the Chair had the right to recognize the gentleman from Alabama for that purpose, and the Chair will state there is only 10 minutes of debate permitted on a motion of this character, 5 minutes for and 5 minutes against.

Mr. LUCE. I am pointing out that, so far as I know, parliamentary law does not permit a Member to address the House unless he has been recognized by the Speaker as a result of some form of motion.

The CHAIRMAN. The question is on the motion offered by the gentleman from Michigan.

The question was taken; and on a division (demanded by Mr. WOLCOTT) there were—ayes 29, noes 102.

So the motion was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania.

Mr. ELLENBOGEN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. ELLENBOGEN. Is it not a fact that the amendment now before the Committee would limit the insurance to 80 percent instead of 90 percent?

The CHAIRMAN. The Chair has no knowledge of that.

The question was taken; and on a division (demanded by Mr. ELLENBOGEN) there were—ayes 67, noes 90.

So the amendment was rejected.

Mr. LORD. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. LORD: Page 4, line 9, after the word "property", insert "including farms", and in line 11, after "residence", insert "or a barn."

Mr. ELLENBOGEN. Mr. Chairman, I make the point of order that that amendment is not germane to the bill.

Mr. LORD. Mr. Chairman, I do not yield to the gentleman. I was recognized before the gentleman made the point of order. I do not yield. During this week I received—

Mr. ELLENBOGEN. Mr. Chairman, I desire to be heard upon the point of order.

Mr. LORD. Mr. Chairman, I do not yield for that purpose.

The CHAIRMAN. The gentleman from New York will suspend. Does the gentleman from Pennsylvania reserve the point of order?

Mr. ELLENBOGEN. I make the point of order that the amendment is not germane to the bill, and therefore is not in order.

Mr. LORD. Mr. Chairman, this is to help the poor people that the gentleman from Pennsylvania is always so solicitous about. I hope he will give me time to speak on this.

Mr. ELLENBOGEN. Mr. Chairman, I reserve the point of order.

Mr. LORD. Mr. Chairman, during the week I received from a farmer in my district notice that his barn had burned, and that they used the insurance money to pay off the mortgage on the farm. He asked me to try to secure from some Government agency funds to build him a new

barn. I went to every Government agency that helps building, but there is none that takes care of the construction of barns.

This bill will provide funds to build homes, but with only a home on a farm and no barn, the farmer cannot make a living. I ask this simple amendment on this bill, that we also include a barn as well as a house.

This special session of Congress was called by the Chief Executive to pass legislation to help the farmer. The farm bill that has been passed will not help, but on the contrary will injure the dairy farmer. Here is a measure that will really help farmers without means, but it receives little or no consideration from the majority party.

The amendment was defeated.

The CHAIRMAN. Does the gentleman from Pennsylvania insist upon his point of order?

Mr. ELLENBOGEN. Mr. Chairman, I withdraw my point of order.

The CHAIRMAN. The question is on the amendment of the gentleman from New York.

The question was taken; and on a division (demanded by Mr. LORD) there were—ayes 29, noes 78.

So the amendment was rejected.

Mr. PALMISANO. Mr. Chairman, I move to strike out the last word. I am sorry that the members of the committee have refused to adopt the Ellenbogen amendment. I have had 28 years' experience in building and loan associations, and I say to the Members of this House that if you make a loan of 90 percent, then the Government will buy every home that it will finance to the extent of 90 percent. Take as an illustration a mortgage on a \$3,000 home, and an advancement of \$300. The foreclosure proceedings will cost more than \$300, and the minute a man loses his home, or does not like it for some reason or other, the Government will buy that home. Go into the Home Owners' Loan Corporation, and you will see they have purchased every home they have foreclosed.

Mr. RABAUT. Why does it cost \$300 to foreclose such a mortgage as that?

Mr. PALMISANO. Advertising and cost and commission. Take it in Baltimore City. The commission is 9 percent on the first \$300, and on the second \$300 it is 8 percent, and when you get up to \$3,000 it is approximately \$165 for the commission. Then you have \$50 of court costs, and you have 2½ percent commission for the auctioneer's fees, and then the auditor's report, and it is always \$300. I ask any attorney who has had experience in real estate or in foreclosure proceedings to stand and say that the expense of a foreclosure proceeding is not \$300 on a \$3,000 proposition.

Mr. WILLIAMS. And under this bill who pays that?

Mr. PALMISANO. The Government will eventually pay, because they have to take over the property.

Mr. WILLIAMS. That is where the gentleman is wrong, because the mortgagee has to pay it.

Mr. PALMISANO. How are you going to get anything out of the mortgagee when he has not anything?

Mr. WILLIAMS. The mortgagee is the bank, the insurance company, or the building and loan association.

Mr. PALMISANO. Then you will not have any loans.

Mr. WILLIAMS. The gentleman must admit that under this bill they are the ones that will pay.

Mr. PALMISANO. I say to the gentleman that no bank will sign a mortgage or pay in advance 10 percent if they are responsible.

Mr. WILLIAMS. Then nobody is hurt.

Mr. PALMISANO. And you will not get anywhere.

Mr. McGRANERY. Mr. Chairman, I move to strike out the last word. We have heard a great deal of discussion here with respect to whether or not a 90-percent loan on a \$6,000 home is a safe, sound investment, whether or not the banks will take it, whether or not private capital will come in. I say to you that each and every person who testified before the committee, including Mr. Jones, of the R. F. C.; Mr. Eccles, of the Federal Reserve; Mr. Fleming, the president of the American Bankers' Association, and what not,

failed to say that this was an unsound and unsafe investment. But, on the contrary, both Governor Eccles and Mr. Jones stated that they considered them sound investments and necessary to carry out the purpose of this bill.

I would like to read for the benefit of the House the testimony of Mr. McClatchy, who is director of the Home Builders' Association of Philadelphia and Suburbs:

Before reading the statement which we have prepared, which will be very brief, listening to the discussion here the last day or two, I wanted to make in a very brief way a contribution to this discussion, which is the result of a long experience. I have been in this business since 1888. I do not look it, but I have, and I have built as many as 800 or 900 small homes a year. Our business has been exclusively the building of small homes. As a matter of actual experience, I can tell you that up until 1929, with the thousands of homes we built, I do not believe we had 100 foreclosures, and they were all sold on a 10-percent down payment.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. McGRANERY. I yield.

Mr. SHORT. But he is a builder who wants that done. The gentleman cannot name a single individual or a private loan association or a bank in this country that would be willing to advance to the extent of 90 percent of the appraised value, for the construction of any kind of a building.

Mr. McGRANERY. Nearly all of the houses that were built in the twenties were built on a 90-percent basis.

Mr. SHORT. I do not question the gentleman's honesty, but I do question the accuracy of his statement.

Mr. FORD of California. Mr. Chairman, will the gentleman yield?

Mr. McGRANERY. I yield.

Mr. FORD of California. We had that same discussion when the original Federal Housing Administration bill was being considered, and everybody said that nobody would loan 80 percent. Everybody who came before that committee said "no"; and yet we did over a billion dollars worth of business under it.

Mr. STEAGALL. A billion and a half.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. McClatchy is director of the Home Builders Association of Philadelphia and suburbs. He is a builder. Here is the attitude of the president of another building association. The building supply people want to sell building supplies and it is only natural that they want to do everything possible to encourage home building, the same as every member of Congress wants to do everything he can to encourage home building. But all of the building supply people recognize that they cannot sell their supplies unless the person who desires to build a home can get credit from a financial institution. The attitude of the building supply people is expressed pretty well in a statement made by Mr. Vernon M. Hawkins, president of the Hawkins Lumber Co. of Boston, Mass., in which he says:

I was interested, gentlemen, in hearing what the bankers had to say about their interest. I think that is a secondary consideration.

Of course, the interest which the bankers have is a secondary consideration to a man selling lumber and plaster and cement and other building supplies; but, unfortunately in this set-up, whether that man sells his building supplies depends largely upon the attractiveness of the loan to the banker who is furnishing the money with which to purchase the building supplies. Then he says:

Then after we put in about 15 or 20 percent of the value of that house, they want us to endorse their note.

Under the F. H. A. I have not heard of any building supply man coming in and offering to put in 15 or 20 percent of the value of any house for which he has sold supplies. If he would do so and endorse the paper until it was paid down to 75 or 80 percent, we would have one of the biggest building booms in this country that you have ever seen.

He says further:

We do not have to ask them to do that. We can get the money through the F. H. A. without it.

Now, gentlemen, you do not get any money from the F. H. A., and here is a man testifying as an expert, representing the building supply dealers of the New England States or the Boston district, who did not know that the F. H. A. was not a loaning institution. So we cannot get very much enlightenment from such a gentleman as that.

Mr. HOOK. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. HOOK. Is it not a fact that when the 80-percent loans were made in that act, until the act was sold to the bankers they refused to loan; but after it was sold to them they were very anxious to loan, and there was very, very little, if any, money lost under that proceeding?

Mr. WOLCOTT. The brokers went out and made their market. As I set forth in my argument, they had a terrible time selling some of the banks on taking 80-percent loans. Mr. Eccles says some of them will not take it now. The reason they will not is because of this differential. We are not helping that situation at all by making these loans 90 percent. But the reason they will not is because there is just about as much yield to them in a good Government bond as there is in an insured mortgage when you consider the risk they take. Now, they are bankers. You have provided by law a situation where the man who wants to build a home is completely at their mercy, and now you turn around and dare them, at the same time your President is asking cooperation. To me it is an unfortunate paradox.

Mr. MOTT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Mott: On page 4, line 9, after the word "property", insert a comma and the words "urban or rural."

Mr. MOTT. Mr. Chairman, although it seems to be the general impression of the committee that mortgages for the construction of new dwellings may be insured on rural as well as on urban property, I am not able to find any language in the bill which provides for it. True, there is no language in the bill which directly prohibits it either, but, if you will recall, the original act, of which this one is amendatory, was also silent upon this matter. The Administrator, under the original National Housing Act, made rules and regulations which excluded rural property from the benefit of this mortgage insurance, although the language of that act did not exclude it.

As we all know, the tendency today is to build dwelling houses in the country instead of in the corporate limits of towns. This custom is becoming more prevalent. Many people like to build their houses in the country on account of the added benefit and pleasure they get from a rural location. They build the same type of dwelling in the country that is built in towns. Rural homes should be specifically made eligible for loans in this bill, and that is the purpose of the amendment.

If it be true, as some gentlemen think, that the bill already allows mortgages to be insured on rural property then the amendment can do no harm. If there is any question about it, and my study of the bill convinces me that there is, then the amendment will do a great deal of good.

I have had a number of inquiries from people who want to build houses in the country. They inquire whether the new bill would give them the right to have their mortgages upon that rural property insured. Unless the bill is amended I think it will not give them that right. I feel that the amendment is a meritorious one. It covers a matter that is desired by a great many people. The amendment is necessary if these people are to be given the consideration to which they are entitled, and it should be adopted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oregon.

The question was taken; and on a division (demanded by Mr. Mott) there were—ayes 61, noes 58.

So the amendment was agreed to.

The Clerk read as follows:

Sec. 8. Section 203 (b) (3) of such act is amended to read as follows:

"(3) Have a maturity satisfactory to the Administrator, but not to exceed 20 years from the date of the insurance of the mortgage."

Sec. 9. (a) The first sentence of section 203 (c) of title II is amended to read as follows: "The Administrator is authorized to fix a premium charge for the insurance of mortgages under this section which in no case shall be less than an amount equivalent to one-half of 1 percent per annum nor more than an amount equivalent to 1 percent per annum of the amount of the principal obligation outstanding at any time, without taking into account delinquent payments or prepayments, except that as to mortgages described in paragraph (B) of section 203 (b) (2) and accepted for insurance prior to July 1, 1939, the premium charge may be one-fourth of 1 percent per annum on such outstanding principal. Such premiums shall be payable by the mortgagee either in cash or debentures issued by the Administrator under this title, at par plus accrued interest, in such manner as may be prescribed by the Administrator: *Provided*, That the Administrator may require the payment of one or more such premiums at the time the mortgage is insured at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage."

(b) The last sentence of such section is amended to read as follows: "In the event that the principal obligation of any mortgage accepted for insurance under this section is paid in full prior to the maturity date specified in the mortgage, the Administrator is further authorized in his discretion to require the payment by the mortgagee of a premium charge in such amount as the Administrator determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured under this section until such maturity date; and in the event that the principal obligation is paid in full as herein set forth and a mortgage on the same property is accepted for insurance at the time of such payment, the Administrator is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned annual mortgage-insurance premium theretofore paid."

Mr. GIFFORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Gifford: On page 6, after line 25, insert the following new section:

"Sec. 9a. Subsection (d) of section 203 of title II of the National Housing Act is amended to read as follows:

"(d) The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this section. Such rules and regulations shall prescribe the interest rate, the insurance rate and the fees or other charges for commission, brokerage, initial service charge, appraisal, title, and any other fee or charge permitted by such rules and regulations to be made against the mortgagor by Federal Housing Administration, the approved mortgagee, or any other person, firm, or corporation. Upon the closing of each insured mortgage or mortgage upon which application for insurance is to be made a full and clear statement of the interest, insurance, service, commission, brokerage, repayment penalty, fees, and any other charges paid or to be paid by the mortgagor shall be prepared and signed by the mortgagee and furnished to the mortgagor, and a signed copy of the same shall be furnished to Federal Housing Administration with the final application for mortgage insurance. The interest rate on insured mortgages shall not be published without publication of the total cost to the borrower of such insured mortgage by a statement of the total effective cost of the money to the borrower, including all items, or by a statement of such items."

Mr. GIFFORD. Mr. Chairman, in spite of being lengthy this amendment is extremely simple. The Reconstruction Finance Corporation has furnished the Federal Housing Administration about \$51,000,000, largely for advertising—ballyhoo, some call it. The insurance fund is only about \$6,000,000. We furnish, I think, \$5,000,000 from the Treasury and allow them to use \$5,000,000 from the insurance fund for their expenses.

All this amendment does is to help the building-and-loan associations meet that sort of advertising, which portrays an interest rate of only 5 percent when the expense is really 6.4 and higher for interest, insurance services, and other expenses. All this amendment seeks is that the borrower be fully informed, which will greatly lessen the competition. It is very simple. I hope you will vote for it.

Mr. WHITE of Ohio. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield.

Mr. WHITE of Ohio. The Government has recently been raising hob with automobile companies because they did not separate the actual cost of interest in their financing of automobiles from the cost of extra service charges. Is not this true?

Mr. GIFFORD. I thank the gentleman for his contribution. Undoubtedly it is true.

Mr. WHITE of Ohio. If it be true that the Government has been raising hob about the financing of automobiles why should the same principle not apply in this instance?

Mr. GIFFORD. It should.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The question was taken; and on a division (demanded by Mr. GIFFORD) there were—ayes 26, noes 78.

So the amendment was rejected.

Mr. CRAWFORD. Mr. Chairman, so as to get the opinion of the chairman of the Committee on Banking and Currency, I ask unanimous consent to return to page 3, line 24, and to page 4, line 25, to see whether or not the two amendments I sent to the desk are necessary as perfecting amendments as a result of the adoption of the amendment offered by the gentleman from Oregon.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. STEAGALL. I do not see the necessity for it.

Mr. CRAWFORD. The gentleman has not heard the amendments read.

Mr. STEAGALL. I cannot conceive of anything that is necessary to meet it.

Mr. CRAWFORD. If it is not necessary, then, Mr. Chairman, I ask unanimous consent to withdraw these amendments for I do not want to delay the consideration of the bill.

The CHAIRMAN. Without objection the amendments will be withdrawn.

There was no objection.

Mr. DEMUTH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DEMUTH: On page 5, line 15, after the word "be", strike out the word "less" and insert the word "more"; and strike out on line 17 the words "nor more than an amount equivalent to 1 percent per annum."

Mr. DEMUTH. Mr. Chairman, at this time I wish to evaluate the insurance that the Government is selling now to the mortgagors by charging them one-half of 1 percent and in some cases 1 percent insurance premium.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. DEMUTH. I yield.

Mr. WOLCOTT. I went to correct the gentleman. He said the insurance was sold to the mortgagor. The insurance is sold to the mortgagee.

Mr. DEMUTH. The mortgagor pays the insurance premium to the Government under the terms of the act. If a mortgagor defaults within 1 year the mortgagee is compelled to foreclose on the property on the home. Under the administration of the act the home owner is compelled to keep his taxes paid 1 year in advance. In addition the owner of the property is compelled to keep his fire insurance at all times 3 years in advance by including in each monthly payment a charge for fire insurance.

So in the case of a foreclosure the mortgagee can only suffer the bare cost of the foreclosure, which as has been stated may vary anywhere from two to three hundred dollars, while in turn he has insured the full amount of the mortgage and is paid all interest from the date of the mortgage.

How much can the Government lose? The Government can only lose the amount of the payment of interest for 1 year. For instance, on a \$5,000 mortgage the Government would be compelled to pay the bank five times 3 percent, or \$150 interest. While paying that \$150 interest over a period of 5 years, the Government would charge \$1,250 that it would collect from 10 home owners during that period of time and the Government could not lose more than \$250 in that time, provided 1 in 10 homes were foreclosed. You can see that the Government is getting plenty of premium for the risk; in fact, it is getting and charging an excessive premium for the risk it is assuming in connection

with these homes. This amendment I have offered to give justice to and relieve the small home owner of an excessive premium charge. What the Administration aims to do is to let the insurance fund accumulate as a mutual fund to the credit of the home owner so that during the last 2 or 3 years the mortgagee would not have anything to pay on principal or interest. However, the first 4 or 5 years are the toughest for the man who builds a home because during that time there are various things he has to buy for his home.

The experience of the F. H. A. on their mortgages to date shows a loss of one-tenth of 1 percent ample charge for this insurance premium.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. DEMUTH].

The amendment was rejected.

Mr. WOLCOTT. The Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: Page 5, line 12, strike out all of section 9.

Mr. WOLCOTT. Mr. Chairman, I desire to place particular emphasis on the necessity for striking out this section. This section will have much to do with breaking down the confidence that lending institutions have in the adequacy of the mutual mortgage fund which protects them against loss.

It will be recalled that I cited some figures in general debate which showed that the Federal Housing Administration had insured \$1,329,000,000 of loans. About \$531,000,000 of these loans were under title I and the balance were under title II. My figures showed further that we had accumulated as a reserve against this contingent liability between six and seven million dollars which, of course, is wholly out of proportion to the contingent liability. In this paragraph after increasing the risk in the preceding section, we decrease the premium charge; an analogy is an 80-year-old man may get life insurance for a lower premium than a 20-year-old man can get insurance on their respective lives, which I think is a foolish philosophy.

I have listened with a great deal of attention to the gentleman from Pennsylvania in reference to his advocacy of whether this mutual mortgage fund is sufficient, and whether the premiums are sufficient to create a sufficiently large reserve against this contingent liability. Unfortunately, I have been unable to obtain the amount of reserves that are required by life insurance companies, I believe they are regulated by State law. Perhaps that is not material, but the point I want to make is that the banks will no longer have confidence in the mutual insurance fund to pay them any losses which may be sustained. Therefore, if we pass this we might as well do away with the fund because we only have \$6,000,000 against a contingent liability of \$1,329,000,000 and it has cost us \$51,000,000 to collect the \$6,000,000. This situation cannot long continue, because the \$6,000,000 which they now have will in a very short time be eaten up by administration costs. We might as well admit, if we reduce this premium, the Government itself is going to pay the premium into this insurance fund by which the lending institutions may be insured against loss, virtually a subsidy, which I do not think you want to recognize.

[Here the gavel fell.]

Mr. FARLEY. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, there has been considerable said up to this time about how careless we were of the interests of some of the members of the committee. I hold in my hand here a copy of the hearings, which consist of approximately 300 pages. Everyone had a good opportunity to be heard. We are going over some of the things today that we went over in committee.

May I call attention to one thing further? Something has been said about how hard it is to make money on this type of business, and how the Government is going to lose money,

and how financial people feel toward this measure. Mr. Fleming, president of the Riggs National Bank in the city of Washington, D. C., stated before the committee that his institution had lent two and one-fourth million dollars on this type of security and, in answer to a question by the chairman of the Banking and Currency Committee, stated they had not had a single default; so it must not be such very bad business or very bad security.

Mr. Chairman, as much as I respect my good friend from Michigan and the other members of the committee who have risen in opposition to some of these proposals, may I say, if we adopt his amendment to strike out section 9, we might as well strike out the enacting clause, because it will ruin the bill. I would like to see the amendment overwhelmingly voted down.

Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. Wolcott].

The question was taken; and on a division (demanded by Mr. Wolcott) there were—ayes 19, noes 82.

So the amendment was rejected.

The Clerk read as follows:

SEC. 10. Section 204 (a) of such act is amended to read as follows:

"Sec. 204. (a) (1) In any case in which the mortgagee under a mortgage insured under section 203 or section 210 shall have foreclosed and taken possession of the mortgaged property in accordance with regulations of, and within a period to be determined by, the Administrator, or shall, with the consent of the Administrator, have otherwise acquired such property from the mortgagee after default, the mortgagee, upon (A) the prompt conveyance to the Administrator of such title to the property as meets the requirements of rules and regulations of the Administrator in force at the time the mortgage was insured and evidenced in such manner as may be prescribed by such rules and regulations, and (B) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Administrator, shall be entitled to receive the benefit of the insurance as hereinafter provided. Upon such conveyance and assignment the obligation of the mortgagee to pay the premium charges for insurance shall cease and the Administrator shall, subject to the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the value of the mortgage as hereinafter defined and a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Administrator, by adding to the amount of the original principal of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or the acquisition of the property otherwise after default, the amount of all payments which have been made by the mortgagee for taxes, special assessments, and water rates which are liens prior to the mortgage, insurance on the property mortgaged and any mortgage insurance premiums paid after the institution of foreclosure proceedings or the acquisition of the property otherwise after default and by deducting from such total any net amount received on account of the mortgage after the institution of foreclosure proceedings or the acquisition of the property otherwise after default and from any source relating to the property on account of rent or other income after deducting reasonable expenses incurred in handling the property between such dates: *Provided*, That with respect to mortgages which are accepted for insurance prior to July 1, 1939, under section 203 (b) (2) (B) of this act, as amended, and which are foreclosed before there shall have been paid on account of the principal a sum equal to 10 percent of the appraised value of the property as of the date the mortgage was accepted for insurance, there may be included in the debentures issued by the Administrator, on account of foreclosure costs actually paid by the mortgagee and approved by the Administrator, an amount not in excess of 2 percent of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings, but in no event in excess of \$75.

"(2) The Administrator may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

"(3) Debentures issued under this section shall be in such form and denominations in multiples of \$50 and subject to such terms and conditions and shall include such provisions for redemption as may be prescribed by the Administrator with the approval of the Secretary of the Treasury and may be in coupon or registered form. Any difference between the value of the

mortgage determined as herein provided and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment by the Administrator of cash from the fund as to mortgages insured under section 203 and from the housing fund as to mortgages insured under section 210."

SEC. 11. Section 204 (b) of such act is amended to read as follows:

"(b) The debentures issued under this section to any mortgagee shall be executed in the name of the Mutual Mortgage Insurance Fund as obligor and signed by the Administrator by either his written or engraved signature, and shall be negotiable. They shall be dated as of the date foreclosure proceedings were instituted, or the property was otherwise acquired by the mortgagee after default, and shall bear interest from such date at a rate determined by the Administrator at the time the mortgage was offered for insurance, but not to exceed 3 percent per annum, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature 3 years after the 1st day of July following the maturity date of the mortgage on the property in exchange for which the debentures were issued. Such debentures as are issued in exchange for property covered by mortgages insured after the effective date of this amendment shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. They shall be paid out of the fund which shall be primarily liable therefor, and shall be fully and unconditionally guaranteed as to principal and interest by the United States and such guaranty shall be expressed on the face of the debentures. In the event that the fund fails to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures. Mortgagees of mortgages accepted for insurance prior to this amendment shall be entitled to receive cash adjustments and debentures issued in accordance with this section as hereby amended."

Mr. EBERHARTER (interrupting the reading of the section). Mr. Chairman, I ask unanimous consent that the further reading of section 11 be dispensed with.

Mr. WOLCOTT. I object.

The Clerk concluded the reading of the section.

Mr. LORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Lord: On page 10, line 19, after the word "shall", insert "not." Line 19, after the word "exempted", strike out "both as to principal and interest." Line 20, strike out the word "all." After the word "taxation", strike out the balance of line 20, and in line 21 strike out the word "taxes."

Mr. LORD. Mr. Chairman, the effect of the amendment I am proposing is to cut out the language providing for exempting bonds from taxation. According to this bill, bonds issued in the operation of this bill would be exempt from taxation. We all know the President of the United States has stated many times this is one of the things we should not do. Really the curse of our Nation today is tax-exempt bonds. Men of means, of course, must buy the bonds. They have the money and should pay taxes on this income. The little home owner and the farmer who cannot afford to pay the interest are the ones who really pay the taxes. In my amendment I propose to cut out the word "exempt" and make the holders of these bonds pay interest the same as other individuals should pay.

I also have before the Judiciary Committee a resolution to provide that we may cut out all tax-exempt bonds and discontinue the practice throughout our Nation of exempting bonds from taxation. The people who are able to buy bonds should pay taxes. There will be a large saving to our Government through its being able to tax the income from all bonds.

I know there is little chance of getting this amendment adopted, and there is less of getting a resolution through Congress providing that there be no more exempt securities. However, this should be done and put all on an equal footing. I know that the Government believes they get a better rate of interest by selling securities exempt from taxes, but this is just one more place where the little taxpayer is getting the worst of the deal. If the bonds sell for less, tax free, then the Government is not being fair for the tax is saddled on the little home owner and the farmer.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. LORD].

The amendment was rejected.

The Clerk read as follows:

Sec. 12. Section 204 (c) of such act is amended to read as follows:

"(c) The certificate of claim issued by the Administrator to any mortgagee shall be for such an amount as the Administrator determines to be sufficient to equal the difference between the aggregate face value of the debentures issued to the mortgagee plus the cash adjustment provided for in subsection (a) of this section and the amount which the mortgagee would have received if, at the time of the acquisition of the title by the mortgagee in accordance with subsection (a) of this section, all obligations of the mortgagor based on the mortgage indebtedness had been discharged in full, including a reasonable amount for necessary expenses incurred by the mortgagee in connection with the foreclosure proceedings, or the acquisition of the mortgaged property otherwise, and the conveyance thereof to the Administrator. Each such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate, an increment at the rate of 3 percent per annum which shall not be compounded. The amount to which the holder of any such certificate shall be entitled shall be determined as provided in subsection (d) of this section."

Sec. 13. So much of the sentence as precedes the first colon in the first sentence of section 204 (d) of such act is amended to read as follows: "If the net amount realized from any property conveyed to the Administrator under this section and the claims assigned therewith, after deducting all expenses incurred by the Administrator in handling, dealing with, and disposing of such property and in collecting such claims, exceeds the face amount of the debentures issued and cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be divided as follows."

Sec. 14. Section 204 (e) of such act is amended to read as follows:

"(e) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Administrator shall have power to deal with, complete, rent, renovate, modernize, insure, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Administrator as provided in this section: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any purchase or service on account of such property."

Sec. 15. Section 205 (a) of such act is amended to read as follows:

"Sec. 205. (a) Mortgages accepted for insurance under section 203 shall be classified into groups in accordance with sound actuarial practice and risk characteristics. Premium charges, appraisal and other fees received for the insurance of any such mortgage, the receipts derived from the property covered by the mortgage and claims assigned to the Administrator in connection therewith and all earnings on the assets of the group account shall be credited to the account of the group to which the mortgage is assigned. The principal of and interest paid and to be paid on debentures issued in exchange for property conveyed to the Administrator under section 204 in connection with mortgages insured under section 203, payments made or to be made to the mortgagee and the mortgagor as provided in said section, and expenses incurred in the handling of the property covered by the mortgage and in the collection of claims assigned to the Administrator in connection therewith, shall be charged to the account of the group to which such mortgage is assigned."

Sec. 16. The second sentence of section 205 (b) of such act is amended by inserting after the word "title" in such sentence the words "with respect to mortgages insured under section 203".

Sec. 17. Section 205 (c) of such act is amended to read as follows:

"(c) The Administrator shall terminate the insurance as to any group of mortgages (1) when he shall determine that the amounts to be distributed as hereinafter set forth to each mortgagee under an outstanding mortgage assigned to such group are sufficient to pay off the unpaid principal of each such mortgage, or (2) when all the outstanding mortgages in any group have been paid. Upon such termination the Administrator shall charge the group account with the estimated losses arising from transactions relating to that group, shall transfer to the general reinsurance account an amount equal to 10 percent of the total premium charges theretofore credited to such group account, and shall distribute to the mortgagees for the benefit and account of the mortgagors of the mortgages assigned to such group the balance remaining in such group in such proportions as may be equitable as among such mortgages and in accordance with sound actuarial and accounting practice."

Sec. 18. Section 205 (d) of such act is hereby repealed.

Sec. 19. Section 205 (e) of such act is amended to read as follows:

"(d) No mortgagor or mortgagee of any mortgage insured under section 203 shall have any vested right in a credit balance in any

such account, or be subject to any liability arising out of the mutuality of the fund, and the determination of the Administrator as to the amount to be paid by him to any mortgagee or mortgagor shall be final and conclusive."

Sec. 20. Section 205 (f) of such act is amended to read as follows:

"(e) In the event that any mortgagee under a mortgage insured under section 203 forecloses on the mortgaged property but does not convey such property to the Administrator in accordance with section 204, or in the event that the mortgagor pays the obligation under the mortgage in full prior to the maturity thereof and the Administrator is given due notice of such payment, the obligation to pay the annual premium charge for insurance shall cease and all rights of the mortgagee and the mortgagor under section 204 shall terminate. Upon such termination the mortgagor shall be entitled to receive a share of the credit balance allocated to such mortgage under section 205 (a) in such amount as the Administrator shall determine to be equitable and not inconsistent with the solvency of the group account and of the fund."

Mr. CRAWFORD. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. CRAWFORD: On page 16, line 15, after the period following the word "fund", add the following language: "Upon the joint request of the mortgagor and the mortgagee made to the Administrator in writing the mortgage insurance with respect to such mortgagee and such mortgagor shall terminate and the obligation to pay the annual insurance premium charge shall cease and all rights of the mortgagor and the mortgagee under sections 204 and 205 shall terminate."

Mr. CRAWFORD. Mr. Chairman, the purpose of this amendment is to enable the mortgagor and the mortgagee, when they desire to do so, to withdraw from participation in the payment of premiums insuring the loans. In other words, this bill sets up an insurance plan for the benefit of the mortgagee and the mortgagor, so that if a loss occurs the mortgagee will be protected. If both parties to the transaction desire to withdraw entirely from participation in the Federal program and not continue to pay insurance premiums, because there will be no further liability on the part of the Government, this amendment, if adopted, will enable them to take such risk entirely out of the hands of the Government and go along in their own way. When the Government is relieved of the risk the mortgagor should not have to make further insurance premium payments.

If you have insurance with an insurance company and desire to cancel the policy, at the time you relieve the insurance company of the risk you can always get a cancellation on a pro rata or a short-term basis, one or the other. When the risk of the Government ceases to run, the mortgagor should not be further burdened with insurance premiums, which he must contribute as long as the risk of the Government continues.

Mr. Chairman, I believe everyone understands the amendment, and I ask that it be adopted. Some may argue that the parties to the contract will enjoy the protection while the risk is great or the mortgage large. But I would remind you that the insurance premium is being paid from the very beginning. Such an argument, if it be made, is unsound because if the Government through the Federal Housing is collecting a sufficiently large premium in the first place, then if one withdraws from the transaction by leaving intact all premiums paid and at the same time relieves the Government of all risk, then a withdrawal in fact strengthens the Government's position instead of weakening it. It is manifestly unfair to force the mortgagor to pay the insurance premiums after he withdraws all chance of risk on the part of the Federal Housing Administration's insurance fund. Again, for the Federal Government to refuse to permit people to go about their own business, carrying their own risks, and acting entirely independent in such affairs of Government supervision and participation, is also unfair and certainly smacks of further dictation by the Federal agency. To reject this amendment is to serve notice on the interested parties that the Federal Housing Administration and its supporters are unwilling to go along on a program which permits a fair degree of freedom on the part of those who would prefer to carry their own financial burdens.

Mr. STEAGALL. Mr. Chairman, the effect of this amendment would be to allow any mortgagor whose property has

enhanced in value enough to enable him to obtain a larger loan or sell it to advantage to withdraw from the fund. Under this amendment he could get out at any time. This would leave the less desirable paper in the hands of the lending authority.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. CRAWFORD].

The amendment was rejected.

The Clerk read as follows:

SEC. 21. Section 206 of such act is amended to read as follows: "SEC. 206. Moneys in the fund not needed for the current operations of the Federal Housing Administration shall be deposited with the Treasurer of the United States to the credit of the fund, or invested in bonds or other obligations of, or guaranteed as to principal and interest by, the United States. The Administrator may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued under the provisions of section 204. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued, and the several group accounts to which such debentures have been charged shall be charged with the amounts used in making such purchases."

SEC. 22. Section 207 of such act is amended to read as follows:

"RENTAL HOUSING INSURANCE"

"SEC. 207. (a) As used in this section—

"(1) The term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than 99 years which is renewable or (B) under a lease having a period of not less than 50 years to run from the date the mortgage was executed, upon which there is located or upon which there is to be constructed a building or buildings designed principally for residential use; and the term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not being limited to advances during construction) on or the unpaid purchase price of real estate under the laws of the State, District, or Territory in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and may be in the form of trust mortgages or mortgage indentures or deeds of trust securing notes, bonds, or other credit instruments.

"(2) The term 'mortgagee' means the original lender under a mortgage, and its successors and assigns, and includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named.

"(3) The term 'mortgagor' means the original borrower under a mortgage and its successors and assigns.

"(4) The term 'maturity date' means the date on which the mortgage would mature if paid in accordance with the periodic payments provided for therein.

"(5) The term 'slum or blighted area' means any area where dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light, or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.

"(6) The term 'rental housing' means housing the occupancy of which is permitted by the owner thereof in consideration of the payment of agreed charges, whether or not, by the terms of the agreement, such payment over a period of time will entitle the occupant to the ownership of the premises.

"(b) In addition to mortgages insured under section 203 the Administrator is authorized to insure mortgages as defined in this section, which shall include advances thereon during construction, which shall cover property held by—

"(1) Federal or State instrumentalities, municipal corporate instrumentalities of one or more States, or limited-dividend corporations formed under and restricted by Federal or State housing laws as to rents, charges, capital structure, rate of return, or methods of operation; or

"(2) private corporations, associations, or trusts formed or created for the purpose of (A) rehabilitating slum or blighted areas, or (B) providing housing for rent or sale, and possessing powers necessary therefor and incidental thereto, and which corporations, associations, or trusts, until the termination of all obligations of the Administrator under such insurance, are regulated or restricted by the Administrator as to rents or sales, charges, capital structure, rate of return, and methods of operation to such extent and in such manner as to protect the housing fund hereinafter created. The Administrator may make such contracts with, and acquire for not to exceed \$100 such stock in any such corporation, association, or trust as he may deem necessary to render effective such restriction or regulation. Such stock shall be paid for out of such housing fund, and shall be redeemed by the corporation, association, or trust at par upon the termination of all obligations of the Administrator under the insurance.

"To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation not to exceed \$5,000,000 and not to exceed 80 percent of the amount which the Administrator estimates will be the value of the property or project when the proposed improvements are completed, and such part thereof as may be attributable to dwelling use shall not exceed \$1,200 per room, and the mortgage shall provide for complete

amortization by periodic payments within such term as the Administrator shall prescribe. The Administrator may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release. No mortgage shall be accepted for insurance under this section unless the Administrator finds that the relation of the property or project to its immediate environment and to the entire community in which it is to be located; suitability of the site; suitability of the site plan and building plans; the relation between the principal amount of the mortgage and the value of the property or project; the relation between debt requirements and estimated earning capacity of the property or project; and the sufficiency and character of the proposed equity are such that the property or project, with respect to which the mortgage is executed, is economically sound.

"(c) The Administrator shall collect a premium charge for the insurance of mortgages under this section which shall be payable annually in advance by the mortgagee in cash or in debentures issued by the Administrator under this title at par plus accrued interest and which premium charge shall be in such an amount as the Administrator shall prescribe. In addition to the premium charge herein provided for, the Administrator is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project offered for insurance and for the inspection of such property or project during construction: *Provided*, That such charges for appraisal and inspection shall not aggregate more than one-half of 1 percent of the original principal face amount of the mortgage.

"(d) In the event that the principal obligation of any mortgage accepted for insurance under this section is paid in full prior to the maturity date specified in the mortgage, the Administrator is authorized in his discretion to require the payment by the mortgagee of a premium charge in such amount as the Administrator determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until such maturity date.

"(e) There is hereby created a Housing Insurance Fund (herein referred to as the 'Housing Fund') which shall be used by the Administrator as a revolving fund for carrying out the provisions of this section and section 210 as herein and in said section 210 provided, and the Administrator is hereby directed to transfer immediately to such Housing Fund the sum of \$1,000,000 from the fund now held by him arising from appraisal fees heretofore collected by him. General expenses of operations of the Federal Housing Administration under this section and section 210 may be charged to the Housing Fund.

"(f) The failure of the mortgagor to make any payment due under or provided to be paid by the terms of such mortgage shall be considered a default under such mortgage and, if such default continues for a period of 30 days, the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided, upon assignment, transfer, and delivery to the Administrator, within a period and in accordance with rules and regulations to be prescribed by the Administrator of (1) all rights and interests arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction; (3) all policies of title or other insurance or surety bonds or other guaranties and any and all claims thereunder; (4) any balance of the mortgage loan not advanced to the mortgagor; (5) any cash or property held by the mortgagee or to which it is entitled, as deposits made for the account of the mortgagor and which have not been applied in reduction of the principal of the mortgage indebtedness; and (6) all records, documents, books, papers, and accounts relating to the mortgage transaction. Upon such assignment, transfer, and delivery the obligation of the mortgagee to pay the premium charges for mortgage insurance shall cease, and the Administrator shall, subject to the adjustment provided for in subsection (h), issue to the mortgagee debentures having a total face value equal to the original principal face amount of the mortgage plus such amount as the mortgagee may have paid for (1) taxes, special assessments, and water rates, which are liens prior to the mortgage; (2) insurance on the property; and (3) reasonable expenses for the preservation of the property, less such principal amount as has been repaid by the mortgagor and any net income received by the mortgagee from the property as of the date of such assignment, transfer, and delivery.

"(g) Debentures issued under this section shall be executed in the name of the Housing Fund as obligor and signed by the Administrator, by either his written or engraved signature, and shall be negotiable. They shall bear interest at a rate determined by the Administrator at the time the mortgage was insured, but not to exceed 3 percent per annum, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature 3 years after the 1st day of July following the maturity date of the mortgage in exchange for which the debentures were issued. Such debentures as are issued in exchange for mortgages insured after the effective date of this amendment shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. They shall be paid out of the Housing Fund, which shall be primarily liable therefor, and shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures.

In the event the Housing Fund fails to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof, which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon, to the extent of the amount so paid, the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures. Mortgagees of mortgages accepted for insurance prior to this amendment shall be entitled to receive cash adjustments and debentures issued in accordance with this section 207 as hereby amended.

"(h) Debentures issued under this section shall be in such form and denominations in multiples of \$50 and subject to such terms and conditions and shall include such provision for redemption as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the amount of debentures to which the mortgagee is entitled under this section and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment by the Administrator of cash from the Housing Fund.

"(i) The Administrator is hereby authorized either to (1) acquire possession of and title to any property, covered by a mortgage insured under this section and assigned to him, by voluntary conveyance in extinguishment of the mortgage indebtedness, or (2) institute proceedings for the foreclosure of such a mortgage and prosecute such proceedings to conclusion. The Administrator shall so acquire possession of and title to the property by voluntary conveyance or institute foreclosure proceedings as provided in this section within 1 year from the date on which any such mortgage becomes in default under its terms or under the regulations prescribed by the Administrator: *Provided*, That the foregoing shall not be construed in any manner to limit the power of the Administrator to foreclose after the expiration of such period, or the right of the mortgagor to reinstate the mortgage by the payment, prior to the expiration of such period, of all delinquencies thereunder. The Administrator at any sale under foreclosure may, in his discretion, for the protection of the Housing Fund, bid any sum up to but not in excess of the total unpaid indebtedness secured by the mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses, and may become the purchaser of the property at such sale. The Administrator is authorized to pay from the Housing Fund such sums as may be necessary to defray such taxes, insurance, costs, fees, and other expenses in connection with the acquisition or foreclosure of property under this section. Pending such acquisition by voluntary conveyance or by foreclosure, the Administrator is authorized, with respect to any mortgage assigned to him under the provisions of subsection (f), to exercise all the rights of a mortgagee under such mortgage and to take any action and advance such sums as may be necessary to preserve or protect the lien of such mortgage.

"(j) Notwithstanding any other provisions of law relating to the acquisition, handling, or disposal of real and other property by the United States, the Administrator shall also have power, for the protection of the interests of the Housing Fund, to pay out of the Housing Fund all expenses or charges in connection with, and to deal with, complete, reconstruct, rent, renovate, modernize, insure, make contracts for the management of, or establish suitable agencies for the management of, or sell for cash or credit or lease, in his discretion, any property acquired by him under this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection by way of compromise or otherwise all claims assigned and transferred to him in connection with the assignment, transfer, and/or delivery provided for in this section, and at any time, upon default, to foreclose any mortgage assigned and transferred to or held by him: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any purchase or service on account of such property.

"(k) Premium charges, appraisal and other fees, received for the insurance of any mortgage insured under this section or section 210, the receipts derived from any such mortgage or claim assigned to the Administrator and from any property acquired by the Administrator and all earnings on the assets of the Housing Fund shall be credited to the Housing Fund. The principal of and interest paid and to be paid on debentures issued in exchange for any mortgage or property insured under this section or section 210, cash adjustments, and expenses incurred in the handling of such mortgages or property and in the foreclosure and collection of mortgages and claims assigned to the Administrator shall be charged to the Housing Fund.

"(l) In the event that a mortgage insured under this section becomes in default through failure of the mortgagor to make any payment due under or provided to be paid by the terms of the mortgage and such mortgage continues in default for a period of 30 days, but the mortgagee does not assign and transfer such mortgage, and the credit instrument secured thereby, to the Administrator in accordance with subsection (f), or in the event that the mortgagor pays the obligation under the mortgage in full prior to the maturity thereof and written notice thereof is given to the Administrator, the obligation to pay the annual mortgage insurance premium shall cease, and all rights of the mortgagee under this section shall likewise terminate.

"(m) Moneys in the Housing Fund not needed for current operations of this section and section 210 shall be deposited with the Treasurer of the United States to the credit of the Housing Fund, or invested in bonds or other obligations of, or guaranteed as to

principal and interest by, the United States. The Administrator may, with the approval of the Secretary of the Treasury, purchase, in the open market, debentures issued under this section and section 210. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued.

"(n) The Administrator, with the consent of the mortgagee and the mortgagor of a mortgage insured under section 207 of the National Housing Act prior to the date of enactment of the National Housing Act amendments of 1937, shall be empowered to reissue such mortgage insurance in accordance with the provisions of this section as amended by such act, and any such insurance not so reissued shall not be affected by the enactment of such act.

"(o) The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this section."

Mr. McGRANERY (interrupting the reading of the section). Mr. Chairman, I ask unanimous consent that the further reading of section 22 may be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. WOLCOTT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: Strike out all of section 22.

Mr. WOLCOTT. Mr. Chairman, there is no limitation whatever in this section upon the liability of the Federal Government. I call attention to the fact that subsection (a) of section 207 reads as follows:

The term "mortgage" means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than 99 years which is renewable or (B) under a lease having a period of not less than 50 years to run from the date the mortgage was executed, upon which there is located, or upon which there is to be constructed, a building or buildings designed principally for residential use.

This is not supplemental but in direct conflict with the slum-clearance plan set up in the National Housing Act we passed at the last session of Congress. The definitions in this bill in many particulars are different from the definitions in the act we passed last year. We should at least be consistent as regards slum clearance. In this instance we insure the loans, and the contingent liability of the Federal Government is enhanced by the failure of the managers of the property to collect rents and retire the obligations. I believe it is an exceptionally bad practice for the United States Government to insure loans of this character, as surely as large a risk is involved as in insuring any other business loan.

We have denied to industry the right to have its loans insured. We have denied to a person who may want to invest money in a business which will give permanent employment to perhaps several hundred individuals the right to get the money from a bank and have the loan insured by the Federal Government. Now we are going into the business insurance field by the back door under the terms of this particular part of the bill.

I do not expect my amendment will prevail, but I merely want you to understand what you are doing if you adopt this provision and write it into the bill. For that reason, I ask that this section of the bill be stricken out.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment of the gentleman from Michigan [Mr. WOLCOTT].

The question was taken; and on a division (demanded by Mr. WOLCOTT) there were—ayes 12, noes 78.

So the amendment was rejected.

Mr. PETTENGILL. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I think the adoption of the 90-percent clause was a great mistake, but I want to be recorded in favor of the bill. I shall probably not be here when the measure comes to a final vote.

Mr. LUCE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: On page 17, line 18, after the word "buildings", insert "containing not more than four apartments."

Mr. LUCE. Mr. Chairman, in the preparation of the preceding housing bills there was much discussion as to whether we should confine Government help to single dwellings or two-family dwellings. Finally, on the floor of the House, we brought it up to four apartments. We did not bring in the big apartment houses. At that time there was strong opinion in the House against even including four-apartment houses, but in view of the "three deckers," as we call them, in some places, that are prevalent in our neighborhood today, and sometimes the four-apartment houses, the House was finally persuaded to make it four apartments.

We did not believe then, and for one I do not believe now, it is a wise thing for the Government to finance, directly or indirectly, big apartment houses. As I said earlier in the day, when many of the gentlemen now present were not here, there is no more risky real-estate investment today than that of the apartment house. In the last 6 years the experience of anybody who has observed things in Washington must have taught him the danger of this type of investment. There were four State banks in Boston that went on the rocks a few years ago, largely by reason of promoting this type of investment.

It does not seem to me, sir, it would be a prudent thing for the Government to engage in financing that concerns this type of structure, notoriously unsafe for investors.

Mr. O'CONNOR of Montana. Mr. Chairman, will the gentleman yield for a question?

Mr. LUCE. Yes.

Mr. O'CONNOR of Montana. Is it not a fact that such apartment houses become out of date very rapidly owing to the changes in air-conditioning and heating and all that sort of thing, and then new apartment houses are constructed and your old ones furnish practically no security?

Mr. LUCE. That is most certainly true. They become out of date, and I fancy there is not an apartment house in Washington that inside of 5 years will not be compelled to introduce air-conditioning or go broke. If it does not introduce air-conditioning, it is going to be on the market to be sold for anything it will bring.

Mr. O'CONNOR of Montana. And, as a matter of fact, as security they are regarded a poor grade of security for the banks to lend any money on.

Mr. LUCE. I understand, sir, they are the poorest security upon which banks are asked to lend money.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The question was taken; and on a division (demanded by Mr. LUCE) there were—ayes 12, noes 58.

So the amendment was rejected.

The Clerk read as follows:

SEC. 23. Section 208 of such act is amended by striking out the word "subdivision" and inserting in lieu thereof the word "subdivision."

SEC. 24. The last sentence of section 209 of such act is amended to read as follows: "Expenses of such studies and surveys, and expenses of publication and distribution of results of such studies and surveys, shall be charged as a general expense of the fund and the housing fund in such proportion as the Administrator shall determine."

SEC. 25. Title II of such act is amended by adding at the end thereof a new section to read as follows:

"Sec. 210. (a) In addition to mortgages insured under sections 203 and 207, the Administrator is authorized to insure mortgages as defined in section 207 (a), as amended, including advances thereon during construction, covering property upon which there is to be constructed one or more multifamily dwellings or a group of not less than 25 single-family dwellings: *Provided*, That the property shall have been approved for mortgage insurance prior to the beginning of construction.

"(b) To be eligible for insurance under this section a mortgage must—

"(1) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees, as the Administrator shall approve) in an amount in excess of \$16,000 but not in excess of \$250,000, not in excess of 80 percent of the amount which the Administrator estimates will be the value of the property when the proposed improvements are completed, and such part thereof as may be attributable to dwelling use shall not exceed \$1,000 per room.

"(2) Have a maturity satisfactory to the Administrator, but not to exceed 21 years and contain complete amortization provisions satisfactory to the Administrator.

"(3) Contain such terms, conditions, and provisions with respect to interest, advances during construction, assurance of completion, recognition of equitable rights of contract purchasers in good standing, release of part of the mortgage premises from the lien of the mortgage, insurance, repairs, alterations, payment of taxes, default and management reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.

"(c) The Administrator shall collect a premium charge for the insurance of mortgages under this section which shall be payable annually in advance by the mortgagee in cash or in debentures issued by the Administrator under this title at par plus accrued interest, and which premium charge shall be in such an amount as the Administrator shall prescribe. In addition to the premium charge herein provided for, the Administrator is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project offered for insurance and for the inspection of such property or project during construction, provided that such charges for appraisal and inspection shall not aggregate more than one-half of 1 percent of the original face amount of the mortgage. The provisions of the last sentence of section 203 (c), as amended, shall be applicable to mortgages insured under this section. No mortgage shall be accepted for insurance under this section unless the Administrator finds that the relation of the project to its immediate environment and to the entire community in which it is located, the suitability of the site, and the site and building plans, the relation between the debt-service requirements and the estimated earning capacity of the project, the relation between the principal amount of the mortgage and the value of the property, and the sufficiency and character of the proposed equity, are such as to make the project economically sound.

"(d) The provisions of section 204 shall be applicable to mortgages insured under this section, except that the debentures issued hereunder shall be the primary liability of the housing fund created under section 207 (e), and shall be paid out of said housing fund. They shall be guaranteed by the United States as provided in section 204. The provisions of section 205 shall not be applicable to such mortgages.

"(e) In the event that any mortgagee under a mortgage insured under this section forecloses on the mortgaged property but does not convey such property to the Administrator in accordance with section 204, or in the event the mortgagor pays the obligation under the mortgage in full prior to maturity thereof and the Administrator is given due notice of such payment, the obligation to pay the annual premium charge for insurance shall cease and all rights of the mortgagee and the mortgagor under section 204 shall terminate.

"(f) The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this section."

Mr. STEAGALL (interrupting the reading of the section). Mr. Chairman, I ask unanimous consent that the further reading of the bill be dispensed with and that the remainder of the bill be considered as read and open to amendment.

Mr. WOLCOTT. Mr. Chairman, this is a very complicated bill and we are taking advantage of the time the Clerk is engaged in reading the bill to prepare amendments in an effort to put it in proper shape, and for that reason I object.

The Clerk resumed the reading of the section.

Mr. McGRANERY (interrupting the reading of the section). Mr. Chairman, I ask unanimous consent that the further reading of section 25 be dispensed with.

Mr. WOLCOTT. I object, Mr. Chairman.

The Clerk resumed and concluded the reading of the section.

Mr. LANZETTA. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. LANZETTA: Page 31, line 2, after the word "exceed", strike out "\$1,000" and insert in lieu thereof "\$1,500."

Mr. LANZETTA. Mr. Chairman, my amendment is directed at section 210, subdivision (b) 1, which amends title II of the Federal Housing Act. This subdivision limits the mortgages that may be insured by the Federal Housing Administration to those mortgages which cover property where the cost per room does not exceed \$1,000.

Mr. Chairman, we all know that there are thousands of multiple-dwelling houses throughout the United States that are not fit for human habitation. We also know that most

of these houses should be torn down and rebuilt. Why, in my own congressional district, more than 75 percent of the houses are so dilapidated and run down that they endanger the life and the health of the tenants. These houses cannot be demolished and rebuilt as long as the limitation of \$1,000 per room remains in the bill because it is impossible, with the cost of labor, materials, and land being what they are, to build them for that price.

I think that limiting the insurability of mortgages to those mortgages on property where the cost per room does not exceed \$1,000 will practically stifle the construction of multiple dwelling houses in cities. When this legislation was first contemplated, I understood that one of the chief purposes was to create work by stimulating the construction and erection of new houses. If you in any way restrict new building in the cities then you will be defeating the very purposes for which the bill was intended, since it is in the cities where the majority of the building-trade workers reside, that we find the greatest need for new houses.

I therefore ask those of you who are really interested in stimulating construction and in creating employment to support my amendment and increase the cost per room to \$1,500. Those of you who know the conditions in the large cities know that houses cannot be built at a cost of \$1,000 per room. I am sure that if the committee had taken testimony on this point they would have found this fact to be true in most large cities, and especially so in New York City.

While I am deeply interested in modern and sanitary housing, I am also greatly interested in getting the millions of men in the building industry back to work, but if the cost of construction is limited to \$1,000 per room, I am afraid that the majority of the people of this country will derive very little benefit from this legislation. I ask that the amendment be agreed to.

Mr. FORD of California. Mr. Chairman, I rise in opposition to the amendment. We went over the matter of room cost when we were discussing the housing bill in respect to slum clearances, and the consensus of opinion was that probably \$1,200 a room was the minimum. This situation is entirely different. When we say \$1,000 a room, that means that the rooms in the building cost \$1,200, and we insure up to 80 percent, which is \$960.

Mr. LANZETTA. Mr. Chairman, will the gentleman yield?

Mr. FORD of California. Not now. As to that particular section, that is the section that the President pins his greatest hopes on for the stimulation of building in the United States, and this is the reason. Under that section a series of multiple dwellings can be constructed, and after they are built and occupied they can be sold in units to the individuals who want to buy them, and when the project is sold out the whole of the released money invested may start out again in the construction of another group of units. Thereby employment and the building industry will be stimulated to the extent that a great many operations are carried on.

Mr. LANZETTA. Is it not a fact that the way the bill reads now property where the room cost is more than \$1,000 does not come within the provisions of the bill?

Mr. FORD of California. That is not true. We loan up to 80 percent.

Mr. WOLCOTT. Mr. Chairman, I call the gentleman's attention to page 20 of the bill where, under section 207, provision is made that that shall be attributable to dwelling houses and the cost shall not exceed \$1,200. I never could see the consistency of restricting this to \$1,000 when we already have provided for a cost of \$1,200 in another place in the bill.

Mr. FORD of California. The gentleman knows there is a distinction. One of them is for apartments that may be rented up to \$75 to \$100 a month. The other is limited to smaller units, where the rentals are kept down by reason of the fact that this organization is a limited profit organization, and that the F. H. A. is permitted to control the rents and therefore keep them down to a reasonable amount. It also makes it possible to build on a wholesale basis and get better prices on everything.

Mr. LORD. Mr. Chairman, I rise in opposition to the amendment offered by my friend from New York. In the first place, so far as a house that costs more than \$1,000 a room is concerned, no poor person can afford to rent it, and, in the second place, according to the letters that I get from Greater New York, there is no shortage of houses there.

I have here a letter stating that the man who commenced building in Jamaica, Long Island, constructed houses to sell for \$4,490. The builder in question required the payment of \$850 down. He was not able to sell those houses. He finally reduced that to \$350 down payment, and he could only make a few sales then. He finally had to resort to renting the houses, and he still has two of the houses that are unoccupied. These are houses that cost less than \$5,000. This is the condition throughout the city. He says, with regard to the more expensive houses, that he has \$15,000 houses that he is willing to sell on the basis of a \$500 down payment. Yet there is no buyer. Does it sound reasonable that any builder would build thousands of houses when he cannot find buyers?

Mr. LANZETTA. Mr. Chairman, will the gentleman yield?

Mr. LORD. I yield.

Mr. LANZETTA. I want to make this observation with respect to the statement of the gentleman from New York, that there is not a shortage of houses in New York City. While, literally speaking, there is no shortage, actually there is a lack of habitable houses; houses which are fit for human beings to live in.

Mr. LORD. Well, this is from a big mortgage corporation in Brooklyn. These houses I am speaking of are new houses. Some of these houses have never been occupied. They are ready to build new houses as soon as they can find people who will occupy the ones already constructed.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. LORD. I yield.

Mr. KELLER. How much do they rent for?

Mr. LORD. Forty-five dollars a month.

Mr. KELLER. Whereabouts are they?

Mr. LORD. Jamaica, Long Island; 5-cent carfare.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. LANZETTA.]

The question was taken; and on a division (demanded by Mr. LANZETTA) there were—ayes 13, noes 56.

So the amendment was rejected.

Mr. WOLCOTT. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: On page 30, beginning in line 5, strike out all of section 25.

The CHAIRMAN (Mr. CHANDLER). The gentleman from Michigan [Mr. WOLCOTT] is recognized for 5 minutes.

Mr. WOLCOTT. Mr. Chairman, this section has to do with the construction of one or more multiple-family dwellings or a group of not less than 25 single-family dwellings. If I understand that correctly it means the building of apartment houses or a group of single houses of not less than 25 family dwellings. So it is not confined to group dwellings.

There is not any more reason why we should confine the cost of the construction in this particular case to \$1,000 a room than under section 307 on page 20, where we insure loans for multiple-family dwellings and restrict the cost to \$1,200 per room, but you voted it down and I presume you are just about as consistent in that as you are in the adoption of the other provisions of the act. But I want to call your particular attention to the fact that for the first time in the history of the United States we are adopting an entirely novel economic philosophy. We insure business loans up to \$250,000, while the administration only asked for \$200,000, and a very gracious Banking and Currency Committee increased that amount to \$250,000. So I might say to you, if any of you are in a bargaining attitude at the present time, you might have an amendment introduced here to raise it to \$500,000.

I am just tipping off some of you from the urban areas that the committee at least might take the same attitude toward an amendment to increase this to \$300,000 or \$500,000, as they did when they increased it from \$200,000 to \$250,000. This in face of the fact that the administration only asked for \$200,000. But we are embarking upon a new philosophy that the Federal Government should insure business loans. Can you tell me any particular difference between the insurance of an investment in an apartment house costing more than \$250,000 and the insurance of an investment which any individual might have in a canning factory, in a furniture factory, in the stocks of any industry or the bonds of any industry or utility? When you invest \$250,000 in the building of apartment houses you are not distinguishing that investment from any other investment in industry and business that I can see, except that at this particular time we want to give encouragement to employment in the building trades.

I say it is absolutely more logical to insure an industrial loan which will perhaps put several hundred men to work permanently than it is to insure a loan of doubtful efficacy in an apartment house, which may be completely dissipated if the people who live in that apartment house cannot find a job to pay the rent by which the owner might retire the indebtedness.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. Wolcott].

The question was taken; and on a division (demanded by Mr. Wolcott) there were—ayes 13, noes 58.

So the amendment was rejected.

Mr. DEMUTH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DEMUTH: On page 30, line 12, after the word "or", strike out the words "a group of", and after the word "than", strike out "25" and insert "4."

Page 30, line 21, strike out "\$16,000" and insert "\$6,000."

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that all debate on this section close in 5 minutes.

Mr. LANZETTA. Mr. Chairman, reserving the right to object—

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section close in 5 minutes.

Mr. MICHENER. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. MICHENER. Mr. Chairman, I make the point of order that there has been no debate on this amendment.

The CHAIRMAN. The point of order is sustained.

Mr. STEAGALL. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Pennsylvania yield to the gentleman from North Carolina?

Mr. DEMUTH. No.

Mr. STEAGALL. Mr. Chairman, the gentleman from Pennsylvania has his 5 minutes; I am not trying to take him off his feet.

Mr. DEMUTH. Mr. Chairman, I do not yield.

The CHAIRMAN. The gentleman from Pennsylvania is recognized for 5 minutes.

Mr. DEMUTH. Mr. Chairman, in designing this piece of machinery to get the building industry under way, I think the committee and the F. H. A. have done a pretty good job except they have forgotten the spark plug. Everybody knows the necessity of a spark plug in the automobile engine. Anybody who knows the building industry realizes that it is the small builder who has built at least 80 percent of the individual homes in this country.

It looks to me as though the bankers have had quite an influence in writing this bill. Already there is criticism in my district that the bankers had too much to say in the F. H. A., because they not only select their own attorney, but their own architect and contractor. What does this provision for 25 houses mean? It means that the banker will select the architect, will select the contractor, will tell the contractor where to buy his bricks, and the contractor will buy his ce-

ment from a plant in which the banker is interested, will buy his lumber from a mill in which the banker is interested; and you are going to stop the entire program.

I have seven city wards in my district. I do not think a man would be exercising good business judgment if he attempted to build 25 houses at this time. I would say the man should build not more than three or four in order to feel out the market to see if there is a market for that number of houses.

I believe, therefore, that we are discriminating against the small builder, the man that really has built the majority of the homes in this country, the man who can produce homes and give greater value than the large corporation and who always has, regardless of what some advisers have told President Roosevelt, advisers who did not understand the building industry.

Mr. EBERHARTER. Mr. Chairman, will the gentleman yield?

Mr. DEMUTH. I yield.

Mr. EBERHARTER. Then the purpose of the act is to give benefit to the contractor or builder who builds 4 or 5 houses instead of 25?

Mr. DEMUTH. That is the idea; and there are many communities in the United States where it would be ridiculous to build 25 houses, communities with less than 1,000 inhabitants.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania.

The amendment was rejected.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section do now close.

The motion was agreed to.

Mr. LANZETTA. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. LANZETTA: On page 31, line 2, after the word "exceed", strike out "\$1,000" and insert "\$1,200."

Mr. LANZETTA. Mr. Chairman, I ask unanimous consent to proceed for one-half minute.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. LANZETTA. Mr. Chairman, I want to call the Committee's attention to the fact that on page 20 the cost per room is limited to \$1,200, while on page 31 the cost per room is limited to \$1,000. I do not see any reason for this difference, and I offer this amendment for the purpose of changing the limit cost of \$1,000, as fixed in section 25, to \$1,200, the limit fixed in section 22 of the bill.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. LANZETTA) there were—ayes 10, noes 37.

So the amendment was rejected.

Mr. HANCOCK of North Carolina. Mr. Chairman, I ask unanimous consent that further reading of the bill be dispensed with.

Mr. WOLCOTT. Mr. Chairman, to that I object.

Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. WOLCOTT. I want to shorten this up as much as possible. I have a total of five amendments to strike out the next five sections, sections 26, 27, 28, 29, and 30. I do not care to take time as each section is read to debate them. I would prefer to offer the amendments en gros; and if it is agreeable to the gentleman from North Carolina I will prove to him and to his colleagues on the committee that I want to cooperate to the fullest extent. I ask unanimous consent, therefore, that sections 26, 27, 28, 29, and 30 be considered as read.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The Clerk read as follows:

SEC. 26. Section 301 (a) of such act is amended to read as follows:

"SEC. 301. (a) The Administrator is further authorized and empowered to provide for the establishment of national mortgage associations as hereinafter provided, which shall be authorized, subject to rules and regulations to be prescribed by the Administrator, (1) to purchase, service, and sell first mortgages and such other first liens as are commonly given under the laws of the State, District, or Territory in which the real estate is located to secure advances on real estate held in fee simple, or under a lease for not less than 99 years which is renewable, or under a lease having a period of not less than 50 years to run from the date the mortgage is executed, together with the credit instruments, if any, secured thereby, such mortgages, except mortgages insured under title II of this act, as amended, not to exceed 60 percent of the appraised value of the property as of the date the mortgage is purchased, and to make loans and advances upon, and to purchase, service, and sell mortgages or partial interests therein which are insured under section 207 of this act; (2) to borrow money for such purposes through the issuance of notes, bonds, debentures, or other such obligations as hereinafter provided."

SEC. 27. The last sentence of section 301 (d) of such act is amended by striking out in such sentence the words "paid in full in cash or Government securities at their par value" and inserting in lieu thereof the following: "that at least 25 percent thereof has been paid in cash or Government securities at their par value or first mortgages, or such other first liens, as are described in section 301 (a) hereof, which mortgages or liens shall be taken at such value as the Administrator may determine not exceeding, except as to mortgages insured under title II of this act, as amended, 60 percent of the appraised value of the property as of the date of subscription, and that the remainder is payable at such time as may be determined by the Administrator: *Provided*, That no association shall issue notes, bonds, debentures, or other such obligations until such time as such subscriptions are paid in full in cash or Government securities at their par value or mortgages or other liens as hereinbefore set forth."

SEC. 28. Section 302 of such act is amended to read as follows:

"SEC. 302. Each national mortgage association is authorized to issue and have outstanding at any time notes, bonds, debentures, or other such obligations in an aggregate amount not to exceed (1) twenty times the amount of its paid-up capital and surplus, and in no event to exceed (2) the current unpaid principal of mortgages held by it and insured under the provisions of title II of this act, plus the amount of its cash on hand and on deposit and the amortized value of its investments in bonds or obligations of, or guaranteed as to principal and interest by, the United States. No national mortgage association shall borrow money otherwise than through the issuance of such notes, bonds, debentures, or other obligations except with the approval of the Administrator and under such rules and regulations as he shall prescribe. An association may, if its bylaws so provide, accept any notes, bonds, debentures, or other obligations issued by it in payment of obligations due it at par plus accrued interest: *Provided*, That such notes, bonds, debentures, or other obligations so accepted shall be canceled and not reassued."

SEC. 29. Section 303 of such act is amended by inserting before the period at the end of such section a comma and the following: "and may purchase in the open market notes, bonds, debentures, or other such obligations issued under section 302."

SEC. 30. Section 307 of such act is amended to read as follows:

"SEC. 307. All notes, bonds, debentures, or other obligations issued by any national mortgage association shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. Every national mortgage association, including its franchise, capital, reserves, surplus, mortgage loans, income, and stock, shall be exempt from taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. Nothing herein shall be construed to exempt the real property of such association from taxation by any State, county, municipality, or local taxing authority to the same extent according to its value as other real property is taxed."

Mr. WOLCOTT. Mr. Chairman, I offer the following amendment.

Mr. HANCOCK of North Carolina. Mr. Chairman, did I understand the gentleman objected to my unanimous-consent request?

Mr. WOLCOTT. Because it did not go far enough.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: Strike out sections 26, 27, 28, 29, and 30.

Mr. WOLCOTT. Mr. Chairman, these sections have to do with the establishment of national mortgage associations. The present law provides that if five individuals desire to

do so and can obtain \$2,000,000 of capital and pay in that capital in the form of cash or Government securities, they may organize these national mortgage associations. While the original act required that they have \$5,000,000 of capital paid in in cash or Government obligations, yet to give encouragement to the organization of national mortgage associations we, a couple of years ago, reduced the capital requirement to \$2,000,000; but up to the present time private capital has not been attracted to the extent that any national mortgage association has been created. In this bill we keep the capitalization at \$2,000,000, but as a further encouragement to the organization of national mortgage associations we require that only 25 percent of the \$2,000,000 capital be paid in.

We provide that this 25 percent or \$500,000,000 of capital may be paid in either cash or Government obligations or F. H. A.-insured mortgages. We provide also that they may issue debentures for 20 times the amount of their capitalization, or total debentures after the payment of the capital of \$1,000,000,000.

It is apparent to me that although we restrict the operation of the national mortgage association to taking the paper covered by sections 203 and 207, in other words, confining it to multiple-unit dwellings and prohibiting them from discounting or buying the paper under title II—nevertheless, it is felt by many of the Members of the minority, and I think some of the majority, that this is an attempt to set up a credit organization through which the Government will take over the lending of money which is now done by private enterprise. Some of you, I know, think that the Government should create credit, as it has been doing in the last 4 years, and distribute it, but unless we change our economy, unless we change our form of government, from that of a capitalistic state to a socialized state, then we should defeat this bill if for no other reason than to prevent a totalitarian state from controlling the lifeblood of American business and industry.

Mr. TRANSUE. Will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Michigan.

Mr. TRANSUE. The gentleman is in favor of the R. F. C.?

Mr. WOLCOTT. Inasmuch as the Republicans set up the R. F. C. and inasmuch as it is the only relief agency which is going to return a profit to the Federal Treasury, I would be foolish, in my zeal to protect the interests of my taxpayers, to say I did not favor that institution.

Mr. TRANSUE. Then the gentleman is in favor of that institution?

Mr. WOLCOTT. Yes; I am.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. WOLCOTT].

The question was taken; and on a division (demanded by Mr. WOLCOTT) there were—ayes 13, noes 72.

So the amendment was rejected.

Mr. SPENCE. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. SPENCE: In section 26, page 23, beginning in line 22, strike out all of subsection 1, lines 22 to 24, inclusive, page 33, and lines 1 to 14, page 34, and insert in lieu thereof the following: "to make purchases and sell mortgages or security authorized to be insured under sections 207 and 210 of this act."

Mr. SPENCE. Mr. Chairman, the fundamental philosophy that underlies this bill is the stimulation of private lending by insurance. Its purpose is to stimulate activities of private financial institutions and give them the assurance that they can safely engage again in the business for which they were incorporated.

It seems to me, Mr. Chairman, it is entirely inconsistent to attempt to stimulate private enterprise and at the same time give it governmental competition. If the national mortgage associations are organized under this act, they will be governmental agencies, they will have peculiar powers of great benefit to themselves, by which they can absolutely

put out of business the private enterprises with which they come in competition.

The purpose of the amendment of my colleague, Mr. HANCOCK of North Carolina, and myself is to confine the activities of the national mortgage associations to the large scale mortgages and keep them out of the smaller mortgage field, in which field the building associations and other home thrift institutions are predominant. I think it would be a great national tragedy if we should do anything to injure the private lending institutions upon which the people have relied for generations, and which have furnished the funds for the building up of our communities.

Mr. MEEKS. Will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Illinois.

Mr. MEEKS. What private agencies does the gentleman have in mind?

Mr. SPENCE. The building and loan associations. It is true the national mortgage associations cannot go into the private field and make loans, and they cannot compete in that sense with the building associations, but they can buy the paper, they can go into that speculative field, and they can in that way engage in competition with the building association.

It seems to me the national mortgage associations ought to be limited in their activities. I voted to bring this bill out of the committee. I am heartily in favor of the general purpose of the bill and I hope it will do the things the most optimistic think it will do, but I do believe we ought to limit the activities of these institutions, otherwise they will become highly competitive and endanger the future usefulness of our building and loan and thrift associations. If you adopt this amendment you will insure the future success of the private institutions upon which the people have relied and which have built up my community and I presume the communities of most of the Members here, by taking them out of this highly dangerous governmental competitive field.

May I say further that under the law as it now exists the national mortgage associations have the power to buy these mortgages. But fortunately none of them have been organized to go in competition with the local institutions.

[Here the gavel fell.]

Mr. WILLIAMS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this amendment, to my mind, is one of the most important things that we have had presented to us. If you confine national mortgage associations that are created by this act to the purchase of insured mortgages alone, and especially to mortgages under sections 207 and 210, which provide for the insurance of mortgages on large construction projects, you are going to defeat one of the main purposes of this legislation. There is no one here but knows the main trouble has been, and was during the depression, that the banks and buildings and loan associations, as well as the mortgage companies and other lending institutions, those that loaned money on mortgage security had no place to go in case of necessity to liquidate their mortgages. They had to have some place to go to dispose of their frozen assets in mortgage securities. This bill furnishes a market, through the national mortgage associations, for real-estate mortgages. This will relieve the log jam in real-estate mortgages and do more good than anything else at this time. This amendment will absolutely kill the real purpose of the bill, in my opinion.

There has been what might be considered a filibuster on the part of the building and loan associations here, and I am their friend. They have done more than any other organization to encourage thrift and the building of homes. They have been generously taken care of by Federal legislation heretofore enacted. We established the Federal Home Loan Bank system and authorized the Treasury Department of the Government to subscribe for \$125,000,000 in stock for the benefit of the building and loan associations. We organized the H. O. L. C. to help bail out the building and loan, as well as others; the Federal Deposit Insurance Corporation was provided for with \$100,000,000 stock subscribed by the Government; and the Reconstruction Finance Corporation

has taken care of the building and loan associations, along with other business and financial institutions. This amendment provides "to make, purchase, and sell mortgages or securities authorized to be insured under sections 207 and 210 of this act." This will prevent the companies from taking any mortgage which is insured under section 203. Those insured under section 203 are the small mortgages, the home owners' mortgages of this country. If you are going to limit it to that, then you have no market for the small mortgages.

Mr. SPENCE. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS. I yield to the gentleman from Kentucky.

Mr. SPENCE. There are 4,000 loan associations, which own \$31,000,000 of stock in the Federal home loan bank, which will take these mortgages. The Federal Reserve will also lend to the member banks on these mortgages.

Mr. WILLIAMS. That is one of the very reasons why this amendment should not be adopted. The building and loan associations can already go to the Federal home loan bank, which was organized for their particular benefit, and discount their mortgages at a rate of 90 percent of the unpaid balances due on the mortgages. That was established for the very purpose of taking care of the building and loan associations, and this is the very reason this amendment should not be adopted. They are already taken care of. Not only that; do not lose sight of the fact that this bill as it is now written takes care of building and loan associations, just the same as any other organization. They can make these loans and can sell their mortgages to the national mortgage associations whether they are insured or not. This amendment should be defeated. [Applause.]

[Here the gavel fell.]

Mr. MAGNUSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I come from a district whose principal industry is lumbering. That industry did not benefit substantially by any business recovery simply because the building of new homes and structures did not keep pace with other industrial revival. It has been aptly said here during the course of the debate that over 5,000,000 new homes are needed in America. We of the lumber industry want to help that enterprise. This bill during the past year has given considerable relief. This further liberalizing of the bill according to the suggestions of the President will, in my opinion, help to a greater degree by allowing and stimulating home financing, so needed by the workingman of America. We, of the Pacific Northwest, endorse this bill. We believe it sound. We are appreciative of Congress for its consideration of it. It will not only help the revival of repairing and home building in America but will also help one of the largest industries in my section employing thousands of people. On their behalf we ask your indulgence on this bill.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kentucky [Mr. SPENCE].

The amendment was rejected.

The Clerk read as follows:

SEC. 31. Section 512 (a) of such act is amended to read as follows:

"SEC. 512. (a) Whoever, for the purpose of obtaining any loan or advance of credit from any person, partnership, association, or corporation with the intent that such loan or advance of credit shall be offered to or accepted by the Federal Housing Administration for insurance, or for the purpose of obtaining any extension or renewal of any loan, advance of credit, or mortgage insured by the said Administration, or the acceptance, release, or substitution of any security on such a loan, advance of credit, or for the purpose of influencing in any way the action of the said Administration under this act, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published any statement, knowing the same to be false, or alters, forges, or counterfeits, or causes or procures to be altered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been altered, forged, or counterfeited, or willfully overvalues any security, asset, or income, shall be punished by a fine of not more than \$3,000 or by imprisonment for not more than 2 years, or both."

SEC. 32. Section 512 of such act is amended by adding at the end thereof new subsections to read as follows:

"(d) No individual, association, partnership, or corporation shall hereafter, while the Federal Housing Administration exists, use

the words 'Federal Housing' or 'National Housing', or any combination or variation of any of these words, alone or with other words, as the name under which he or it shall do business, which shall have the effect of leading the public to believe that any such individual, association, partnership, or corporation has any connection with, or authorization from, the Federal Housing Administration, the Government of the United States, or any instrumentality thereof, where such connection or authorization does not, in fact, exist. No individual, association, partnership, or corporation shall falsely advertise, or otherwise represent falsely by any device whatsoever, that any project or business in which he or it is engaged, or product which he or it manufactures, deals in, or sells, has been in any way endorsed, authorized, or approved by the Federal Housing Administration, or by the Government of the United States, or by any instrumentality thereof. Every violation of this subsection shall be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding 1 year, or both.

"(e) Whoever, for the purpose of inducing the insurance of the accounts of any institution by the said Corporation, or for the purpose of obtaining any extension or renewal of such insurance by said Corporation, or for the purpose of influencing in any way the action of the said Corporation under this act, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published, any statement, knowing the same to be false, or utters, forges, or counterfeits, or causes or procures to be uttered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been uttered, forged, or counterfeited, or willfully overvalues any security, asset, or income, of any institution insured or applying for insurance by said Corporation, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than 2 years, or both.

"(f) Any person who willfully and knowingly makes, circulates, or transmits to another or others any statement, or rumor written, printed, or by word of mouth, which is untrue in fact and is directly or by inference derogatory to the financial condition or affects the solvency or financial standing of the Federal Savings and Loan Insurance Corporation, or who knowingly counsels, aids, procures, or induces another to start, transmit, or circulate any such statement or rumor, is guilty of a misdemeanor punishable by a fine of not more than \$1,000 or by imprisonment of not exceeding 1 year, or both."

Sec. 33. Title V of such act is amended by adding after section 513 a new section to read as follows:

"Sec. 514. The provisions of section 10 (a) 1 and 10b of the Federal Home Loan Bank Act, as amended (49 Stats. 294, 295); paragraph seventh of section 5136 of the Revised Statutes, as amended (49 Stat. 709); section 24 of the Federal Reserve Act, as amended (49 Stat. 706); subsection (n) of section 77B of the Bankruptcy Act, as amended (49 Stat. 664); section 5 (c) of the act approved January 31, 1935, continuing and extending the functions of the Reconstruction Finance Corporation (49 Stat. 1); and all other provisions of law establishing rights under mortgages insured in accordance with the provisions of the National Housing Act, shall be held to apply to said National Housing Act as heretofore and hereby amended as fully as if enacted after the date of enactment of such amendments."

Sec. 34. Section 35 of chapter III of the act entitled "An act to regulate the business of life insurance in the District of Columbia," approved June 19, 1934 (48 Stat. 1152), is amended by inserting between paragraph (3) and paragraph (4) of such section a new paragraph to read as follows:

"(3a) Bonds or notes secured by mortgages or deeds of trust insured by the Federal Housing Administrator: The restrictions in paragraph (3) of this section in regard to the ratio of the loan to the value of the property shall not apply to such insured mortgages."

Sec. 35. Paragraph (4) of such section 35 is amended to read as follows:

"(4) Bonds or other evidences of indebtedness of the farm loan banks authorized under the Federal Farm Loan Act or acts amendatory thereof or supplementary thereto, and bonds or other evidences of indebtedness of national mortgage associations."

Sec. 36. Section 2 (a) of the National Housing Act, as amended, is further amended—

(a) By striking out the words "April 1, 1936, and prior to April 1, 1937" in the first sentence of such subsection and inserting in lieu thereof the words "the date of the enactment of the National Housing Act Amendments of 1937 and prior to July 1, 1939";

(b) By striking out from such sentence the words "additions upon improved" and inserting in lieu thereof the words "improvements upon urban or rural";

(c) By striking out from such sentence the words "and the purchase and installation of equipment and machinery upon such real property,";

(d) By striking out the last two sentences of such section and inserting in lieu thereof the following: "In no case shall the insurance granted by the Administrator under this section to any such financial institution on loans, advances of credit, and purchases made by such financial institution for such purposes on and after the date of the enactment of this act exceed 10 percent of the total amount of such loans, advances of credit, and purchases. The total liability which may be outstanding at any time plus the amount of claims paid in respect of all insurance heretofore and

hereafter granted under this section and section 6, as amended, shall not exceed in the aggregate \$100,000,000."

Mr. HANCOCK of New York (interrupting the reading of the section). Mr. Chairman, I ask unanimous consent that the further reading of the section may be dispensed with.

Mr. WOLCOTT. I object, Mr. Chairman.

The Clerk concluded the reading of the section.

Mr. LUCE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: Section 36 is amended by the addition at the end thereof within the quotation marks of the following:

"The Administrator shall provide by regulation for the insurance of loans under this title, made for the repair, modernization and improvement of real estate, repayable on an amortized basis, insured for a period not exceeding 5 years, and on a basis so that such loans may be made by savings and loan associations and similar institutions consistent with the law under which such institutions operate."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. LUCE].

The amendment was rejected.

The Clerk read as follows:

Sec. 37. Section 2 (b) of such act, as amended, is further amended to read as follows:

"(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it, if the amount of such loan, advance of credit, or purchase exceeds \$10,000 with respect to loans, advances, or purchases for financing repairs, alterations, or improvements upon existing structures, or exceeds \$2,500 with respect to loans, advances, or purchases for financing the building of new structures, nor unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Administrator shall prescribe in order to make credit available for the purposes of this title."

Mr. WOLCOTT. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise at this time just to inform the committee, in order that their constituents may be advised, that in addition to insuring loans for equipment for remodeling and equipment incidental to construction under this bill we will insure loans up to \$2,500 for new construction of buildings. Therefore, under title I of the act as it is rewritten, an individual may have his loan insured in an amount not to exceed \$2,500 for the construction of a house on a lot which he may own. We hope this provision will give impetus to small-home construction, but in that particular it might be well to remind the Committee that the amortization period is 5 years, instead of being 20 years, as is the case with title II, and the interest rate in title I is 9.7 percent, instead of 5½ percent, as provided in title II, as title II applies to a valuation of not less than \$6,000.

So a person who avails himself of the opportunity afforded by the act to construct a home which does not cost in excess of \$2,500 must, of course, pay the same rate that a purchaser of equipment must pay, namely, 9.7 percent interest.

There is some question about whether this rate of interest applies to the borrower or to the lender, and in this particular I want to cite the testimony given by Mr. McDonald, the Chief of the Federal Housing Administration, when he was testifying before the committee on February 19, 1937, during the hearings on the extension of insurance by Federal Housing Administration to financial institutions making rehabilitation loans. This had relation only to title I, and the gentleman from Kentucky [Mr. SPENCE] asked Mr. McDonald these questions:

Mr. SPENCE. What is the cost of a loan to the borrower under this bill?

Mr. McDONALD. Five-percent discount.

Mr. SPENCE. What does he actually pay?

Mr. McDONALD. He actually pays 9.2 percent.

Mr. SPENCE. I thought it was 9.7 percent.

Mr. McDONALD. It is 9.7; that is right.

I thought I would cite this to show there will not be any question about the borrower paying the 9.7 percent.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. O'CONNOR of New York. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from New York. Mr. O'CONNOR of New York. There was some discussion of this matter in the Rules Committee. Nine and sevenths percent is outrageous; there is no question about that.

Mr. WOLCOTT. I believe so.

Mr. O'CONNOR of New York. But there is a story around here that in some way the Federal Housing Administration can adjust that. Is there any basis for that statement or is it fixed and positive?

Mr. WOLCOTT. No; they charge a 5-percent carrying charge or service charge and the other 4.7 percent is arrived at by reason of the fact that the service charge and the principal are diminishing each month.

Mr. O'CONNOR of New York. Is there any power to reduce the discount interest or the percentage?

Mr. WOLCOTT. I wish this House could agree upon a limitation on this interest of 5 percent, the same as it is on title II loans, but I do not want to offer it because I am so concerned about it that I would prefer that someone on the other side offer the amendment, so it would have a chance of passage.

Mr. O'CONNOR of New York. It certainly ought not to be over 7 percent.

Mr. HANCOCK of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. HANCOCK of North Carolina. The gentleman understands that it is clearly within the power and authority of the Administrator to lower that interest or fix it so it would amount to 9.7.

Mr. WOLCOTT. I think probably the gentleman is right, but because they have not done it, I think it should be written into the law that the interest should not exceed what a man has to pay under title II, or not in excess of 5¼ percent.

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, all the legislation we have passed in reference to housing has been absolutely of no benefit to the man whose income does not exceed \$125 or \$150 a month.

So far as my district is concerned, the most valuable part of this bill is the section that the gentleman from Michigan was talking about, but the interest is too high. Interest of 9.7 percent exceeds the legal interest permitted under the laws of the State of Missouri.

Mr. WILLIAMS. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. I yield to the gentleman from Missouri.

Mr. WILLIAMS. Does not the gentleman know that Missouri passed an enabling act which permits this rate of interest on loans that are insured by the Federal Housing Administration?

Mr. COCHRAN. Yes, but I was speaking of the legal rate of interest in general in the State of Missouri.

Mr. WILLIAMS. But they can make these loans.

Mr. COCHRAN. I realize that, but I said I was speaking of the general legal rate of interest in our State, and as the gentleman knows, it does not permit the charging of 9.7 percent interest for a loan.

Mr. WILLIAMS. Is the gentleman in favor of section 2, which permits the building of small homes?

Mr. COCHRAN. I am in favor of permitting the building of a home if it can be constructed for \$1,000. The lower the cost the more homes you will build.

Mr. WILLIAMS. That is under title I. How are you going to get a loan at less than 5 percent or at a discount of less than 5 percent?

Mr. COCHRAN. I will say to my colleague from Missouri that so far as I am concerned, I would rather have a deed of trust on a home costing not more than \$1,500, where the owner of that home receives a salary of \$125 a month, than to have one on a home costing \$10,000. There will be no foreclosures on homes costing \$2,000 and less, if you will provide for a reasonable rate of interest, but charging 9.7 percent you are shutting out the family where the father has a small income. Give the man who wants a home, whose annual income is from \$1,800 to \$2,500, the same opportunity you give the others who want \$5,000 and \$10,000 homes and you will build 20 such homes where you build one costing \$10,000.

I will tell you why. The people in this country and in Washington and other places who are buying homes today costing \$10,000 are merely trying to keep up with the Joneses.

Mr. WILLIAMS. But—

Mr. COCHRAN. I do not yield further. They are living beyond their income, and half of the foreclosures in this country today are due to the fact that people are buying houses and trying to live on a scale far above their income. If you want to do something for the masses of the people in this country, provide some way, some means whereby you can construct a home that a person receiving a salary of \$125 or \$150 a month can afford to build.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. COCHRAN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. COCHRAN: Page 43, line 5, after the word "interest", insert the following: "not to exceed 5¼ percent."

Mr. COCHRAN. Mr. Chairman, I ask for recognition under my amendment. I represent a class of people, many who are mechanics and those who work in factories. My district is entirely within the limits of the city of St. Louis—about one-third of that city. My people work for a living. They support their families by the sweat of their brow. They cannot benefit under this legislation, with such a rate of interest, and each and every one of them is just as anxious to own a home as you or I. We have plenty of vacant ground in desirable localities where such houses as I describe can be constructed.

Mr. McGRANERY. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. Not now.

Mr. SADOWSKI. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. Not now. The gentleman is a member of the committee and he can get time. I have been trying ever since we embarked on this program to do something for the little fellow. I am talking for the little fellow now. I remember when I was a boy, every fireman in my city, every policeman in my city, every letter carrier in my city bought his own home, and we did not pay our policemen or firemen in those days more than \$100 a month, and most of them received only \$1,000 a year. They paid for those homes. You are not going to help the little fellow when you provide for building a home costing \$5,000, and you are not going to help him when you want to charge 9.7 percent interest on a \$2,000 home. If you will cut out all this gingerbread that you put in houses and just put up a house with proper sanitary conditions installed, you might get by for \$2,000, if the interest is not over 5¼ percent. Then the little fellow will be able to pay for it and live in it and you will not have one foreclosure among that class of people where you have a dozen foreclosures among the other class. [Applause.]

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. STEAGALL. Mr. Chairman, I move that all debate upon this section and all amendments thereto close in 5 minutes.

The motion was agreed to.

Mr. WILLIAMS. Mr. Chairman, I am sure that my distinguished colleague from Missouri [Mr. COCHRAN] is very sincere in his interest for the small home owner, although he comes from the great metropolis of the West, St. Louis. I come from perhaps the smallest village of any man in this entire Congress. Talk about a small home! Any man who lives in a home down in my country that is worth \$2,500 is living in a palace.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS. I represent the fellows down in the Ozark regions of Missouri, who are glad to have a home that is worth \$1,000 or \$1,500 and they are the most liberty-loving and God-fearing people in all the world. Their home, humble as it may be, is their castle and their word is their bond. My distinguished friend comes from the city of St. Louis, where the ordinary home is worth not less than \$5,000 or \$6,000, where they live in marble mansions with gilded fronts, and do not know what the lowly and humble home of the small town or village is, and yet he comes here as an exponent of the small-home owner, whom he does not represent. I am proud to represent the small-home owners and I have always advocated the lowest rate of interest possible for them. The loans cannot and will not be made at the rate suggested in this amendment.

I am very much in earnest about this. If the gentleman wants to kill this bill and prevent the man of small means from owning his own home, all he has to do and all you have to do is to place an interest limit, which he knows and which I know and which everybody else on this floor knows will not bring a dollar to him who wants to build a \$1,500 or \$2,000 home.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS. That is exactly the situation with which we are confronted today. Talk about limiting this interest here to 5½ percent under this bill! I say this as one who is not any too enthusiastic about title I: that as far as I am concerned, you can wipe it out of this legislation, because there have been substantial losses under this title, but I think it can be operated without loss so far as the building of homes is concerned for those in the low-income group, and I want to help them. But if we are going to have it, by all means let us have it as a means of building homes for the small men, for the individual who has a small income, and let them get the loan and have it insured under the provisions of this act.

Do not kill it by putting a provision in here which would limit these loans to a percent, when everybody knows there would not be a dollar loaned to these men who want to build that kind of a home. [Applause.]

Vote down this amendment.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

The question is on the amendment offered by the gentleman from Missouri [Mr. COCHRAN].

The question was taken; and on a division (demanded by Mr. SHORT and Mr. WOLCOTT) there were ayes 88 and noes 126.

So the amendment was rejected.

The Clerk read as follows:

Sec. 38. The last sentence of paragraph 7 of section 5136 of the Revised Statutes, as amended, is further amended by inserting before the colon after the words "guaranteed as to principal and interest by the United States" a comma and the following: "or obligations of national mortgage associations."

Mr. LUCE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: On page 43, after line 14, insert a new sections, as follows:

"Sec. 39. Subsection (6) of section 2 of the Federal Home Loan Bank Act, as amended, is amended to read as follows:

"(6) The term 'home mortgage' means a mortgage upon real estate, in fee simple, or on a leasehold (1) under a lease for not less than 99 years, which is renewable or (2) under a lease having a period of not less than 50 years to run from the date the mortgage was executed, upon which there is located or to be immediately built a dwelling or dwellings for not more than four families, or for more than four as determined by the board, and shall

include, in addition to first mortgages, such classes of first liens as are commonly given to secure advances on real estate by institutions authorized under this act to become members, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby. The term 'home mortgage' shall not include farms, ranches, and other property whose value arises principally from its nonresidential use."

Mr. MICHENER. Mr. Chairman, this is the first time I have been able to get the floor during consideration of this bill—even for 5 minutes. Ample time was given for the consideration and discussion of the administration farm bill, and after that consideration a change of five votes would have sent the bill back to the committee. Ample time and consideration were given to the administration wage and hour bill, and after that consideration the bill was recommitment. That was at a late hour yesterday afternoon.

At 11 o'clock this morning there was brought before the House this much-publicized housing bill. From the beginning it was evident that proper consideration would not be allowed in this instance. The leadership has advised us that there will be a vote on this bill before an adjournment for the day is permitted, regardless of the hour. Further assurance has been given that no further serious business will be taken up by the Congress before the Christmas vacation. The chairman of the committee has seen fit to make motions to close debate on amendments where only 5 minutes have been allowed to explain amendments. More than that, debate has been closed by motion of the majority when Members were not permitted to even explain the amendments offered. In these circumstances, it is undoubtedly thought that under the whip and the lash this bill will pass the House, and so it will. Many of the 435 Members have already left for their homes. The necessary 100, constituting a quorum in this Committee, has been lacking most of the day, and when the roll is called, there will be a grand shuffle to vote for something that is popular, in name at least.

The propaganda going out through the press has told us that the enactment of this bill will put 1,000,000 men back to work, will build 5,000,000 homes for our people, at a cost of \$16,000,000,000. Generally speaking, the bill has been heralded throughout the country as the law that will create a demand for home construction, and that will immediately cause a boom in the building industries.

Now, this bill has only been out of the committee for a few hours, and Members of the House not members of the committee have been in session constantly on the wage and hour bill; and as a result, for my part, about all the information I have concerning the bill comes from careful attention to the debate indulged in largely by members of the Committee on Banking and Currency. The statements made by some of these members are unusual and far from convincing. The chairman of the committee tells us that the principal purpose of the bill is to "clarify existing law." One member of the committee, who undoubtedly appreciates the political aspects of voting for or against any bill which would on its face indicate that it might be going to give assistance to home owners, began his speech as follows; and I quote:

Mr. Chairman, I propose to support this bill. I do so because it is a step in the right direction, or will be eventually. But from the point of view of the present depression it is a false alarm; it is a fraud; it is a hoax—a gigantic hoax.

For my part, if the bill is what this member of the committee says it is, then I certainly cannot vote for it.

Another member of the committee, and one who is familiar with the terms of the bill, said a few minutes ago; and I quote:

Further, this bill if enacted will do more to cause unemployment in the building trades than any other single influence we have to consider on the floor of the House.

Still another member of the committee assured the House that he was speaking for 10,000,000 members of the building and loan associations, which associations were absolutely opposed to this legislation as it now stands. This same member claimed to speak for over 14,500,000 savings-bank depositors and for the 63,000,000 holders of life-insurance policies—with 120,000,000 policies outstanding. This Member assured us

that the enactment of this bill would jeopardize the life savings, the investments, and death benefits of these millions of our people.

It would seem apparent that legislation with such vast possibilities for evil should not be rushed through within a few hours with a few Members present and with those Members not being fully advised. This is one of those cases where we should follow the old rule, and if there is reasonable doubt vote "no." There is more than reasonable doubt in my mind. History and experience have taught us that business booms always create home-building booms, but we have never had the experience of having home building at Government expense create business booms. The home builder necessarily takes into consideration several factors before obligating himself for the purchase of a new home. First, he must have a job or an income that will permit him to purchase and eventually pay for the home. With millions of our people out of employment, and the number being added to daily, the sensible thing for Congress to do would seem to be to enact some legislation that will permit business to expand and develop and furnish jobs and income to these prospective home owners. I am opposed to this proposed artificial unsound legislation to attempt to lure our people into building homes at prices which they cannot meet. There is little home building going forward at this time; and why? We all realize that employment is too limited and uncertain and that the cost of building is too high. The Government is doing an unkindness to the thrifty head of a family in persuading him to purchase a home at an unreasonable cost when sound business must indicate that the purchaser cannot in the end pay for the home at the price contracted. Income for the home owner is essential before the home can be paid for.

This bill contemplates a loan by a private loan agency of 90 percent of the appraised value of the home. Understand, the Government does not make the loan direct, but insures the loan up to 90 percent on a \$6,000 home. No private concern can survive and make loans on any such unsound basis. As has been pointed out by a previous speaker, under this law the head of a family would be required to have to pay but \$600 down to purchase a \$6,000 home. He could then only be removed for default according to the laws of the State in which he resides. In some instances, the home might be purchased, the family go into possession, and remain for a period of more than 20 months before foreclosure could be made effective. That would be cheap rent in most instances. The Government would of necessity be compelled to repossess many homes. Under the present Housing Act, defaults have been made, but no such liberality is permitted in insuring the original loans. Sound dealing is in the end better for the home owner as well as the Government.

The building and loan associations of the country have been a godsend. They have financed many a home, especially in the medium-sized cities. They should not be destroyed. Their work should be encouraged and carried on. These local organizations are acquainted with the prospective buyer, and as a rule he has no difficulty in getting such credit as his earning power and character warrant. This is another piece of legislation putting the Government in competition with private industry. Just another priming of the pump—if it works at all—where the money may eventually come out of the Treasury. After loans are made and insured, and in case of default, the insurance will not be due for at least a couple of years from now. Again we will be sailing along in a fool's paradise, making ourselves believe that we are prosperous and that recovery is with us, when as a matter of fact it is simply more apparent prosperity to be paid for by the taxpayers in the years that are ahead.

I will go as far as any Member of the House in assisting our people in any sane, sensible, and possible way to acquire homes; but I will not, knowingly, be a party to any deception; and if the member of the committee above quoted is correct, and this bill will not be of any immediate help, then it certainly should not be rushed through in 1 day, and I shall not by my vote approve any such action.

Government tax-free obligations are inconsistent with our system of graduated income taxes. There are those who rant and rave about persons with large incomes investing in such a way as to avoid income taxes. At the same time the Congress continues to authorize the issuance of tax-free securities, and in this way provides the very escape that is so seriously condemned. If this bill becomes a law, millions of additional tax-free securities will be issued and sold to the public in competition with legitimate securities issued by private industry, and which securities are not tax exempt. Surely it cannot be said that this type of legislation is encouraging legitimate private industry. This Congress has become so accustomed to authorizing the issuance of tax-free securities that, as in this case, this particular feature of the bill is apparently passed over as a matter of course and without any particular attention being given to it. It is fundamental if we are to successfully maintain our present system of income taxes, and when this bill goes to the Senate I hope this feature will be given the consideration to which it is entitled.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. LUCE].

The amendment was rejected.

Mr. LUCE. Mr. Chairman, I offer a further amendment. The Clerk read as follows:

Amendment offered by Mr. LUCE: Page 43, after line 14, add a new section, as follows:

"Sec. 39. The first two sentences of subsection (b) of section 10 of the Federal Home Loan Bank Act, as amended, are amended to read as follows:

"(b) No home mortgage shall be accepted as collateral security for an advance by a Federal Home Loan Bank if, at the time such advance is made (1) the home mortgage loan secured by it has more than 20 years to run to maturity, or (2) the home mortgage exceeds a figure fixed by regulations of the board, which figure shall not be less than \$30,000, or (3) is past due more than 6 months when presented, unless the amount of the debt secured by such home mortgage is less than 50 percent of the value of the real estate with respect to which the home mortgage was given, as such real estate was appraised when the home mortgage was made. For the purposes of subsection (a) the value of real estate shall be as of the time the advance is made and shall be established by such certification by the borrowing institution, in accordance with the regulations of the board."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

Mr. LUCE. Mr. Chairman, I offer a further amendment. The Clerk read as follows:

Amendment offered by Mr. LUCE: After line 14, add a new section, as follows:

"Sec. 39. Subsection (n) of section 4 of the Home Owners' Loan Act of 1933, as amended, is amended by the addition of the following language:

"Of the total authorized bond issue of the Corporation, \$200,000,000, with the approval of the Secretary of the Treasury, shall be available for the purchase of bonds, debentures, or notes issued under section 11 of the Federal Home Loan Bank Act, as amended; and any funds realized by the Corporation from the sale of such investments made under the provisions of this subsection may be reinvested by the Corporation at any time in said bonds, notes, and debentures."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

Mr. LUCE. Mr. Chairman, I offer a further amendment. The Clerk read as follows:

Amendment offered by Mr. LUCE: On page 43, add a new section, as follows:

"Sec. 39. Subsection (c) of section 5 of Home Owners' Loan Act of 1933, as amended, is amended to read as follows:

"(c) Such associations shall lend their funds only on the security of their shares or on the security of first liens upon homes or combination of homes and business property within 50 miles of their home office: *Provided*, That not more than \$20,000 shall be loaned on the security of a first lien upon any one such property; except that not exceeding 30 percent of the assets of such association may be loaned on improved real estate without regard to said \$20,000 limitation, and without regard to said 50-mile limit, but secured by first lien thereon: *And provided further*, That any portion of the assets of such associations may be invested in obligations of, or guaranteed as to principal and interest by, the United States, the stock or obligations issued pursuant to the Federal Home Loan Bank Act, obligations of the Federal Savings and Loan Insurance Corporation, or in other securities approved by the board: *And provided further*, That any such

association which is converted from a State-chartered institution may continue to make loans in the territory in which it made loans while operating under State charter."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

Mr. LUCE. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: On page 43, after line 14, add a new section, as follows:

"Sec. 39. Section 5 of the Home Owners' Loan Act of 1933, as amended, is hereby amended by inserting after subsection (1) a new subsection to read as follows:

"(j) Any Federal savings and loan association may convert itself into a State-chartered savings and loan association or mutual savings bank upon a vote of 51 percent or more of the votes cast at a legal meeting called to consider such action; such conversion shall be subject to the laws of the State in which the institution is located and shall be consummated only upon acceptance of the institution by the State under such terms and arrangements as the State statutes and the supervisory authorities of the State prescribe. Upon completion of such conversion, the association shall no longer be subject to the rules and regulations or examination by the Federal Home Loan Bank board, but institutions having Government funds invested in their shares may not convert without the assent of the Federal board."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. LUCE].

The amendment was rejected.

Mr. LUCE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: On page 43, after line 14, insert a new section, as follows:

"Sec. 39. Section 13 (a) of the Federal Reserve Act, as amended, is further amended by adding the following two paragraphs:

"Any Federal Reserve bank may, under rules and regulations not inconsistent herewith prescribed by the Board of Governors of the Federal Reserve System, buy debentures or bonds issued pursuant to the provisions of section 11 of the Federal Home Loan Bank Act, as amended.

"Any Federal Reserve bank may, subject to regulations not inconsistent herewith prescribed by the Board of Governors of the Federal Reserve System, make loans to Federal home-loan banks upon the security of notes or notes secured by mortgage or other real-estate lien taken by such Federal home-loan banks pursuant to the Federal Home Loan Bank Act, as amended, and any Federal Reserve bank is authorized to rediscount such notes and notes secured by mortgage or other lien on real estate with the endorsement of such Federal home-loan banks."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

Mr. CRAWFORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CRAWFORD: On page 43, add a new section to read as follows:

"Sec. 39. Section 403 of the National Housing Act is hereby amended by adding the following new and additional subsection (e):

"(e) The Corporation, out of its insurance premiums, shall pay for all regular examinations to which insured institutions are subjected by the Insurance Corporation. This does not apply to examinations prior to insurance or special examinations arising in cases of default, defalcations, and like unusual circumstances."

Mr. CRAWFORD. Mr. Chairman, the Members of the House grow impatient; we want to close up and go home. Out through the country, however, there are tens of thousands of businessmen and a great many lending institutions whose books are being audited day in and day out in a duplicating manner by the different agencies of the Federal Government who send their auditors in to inspect the books and to check up on the balance sheets and operating statements. I understand that the Federal Deposit Insurance Corporation pays for its own audits when it goes out and inspects the books of a Federal Deposit Insurance member. I understand the Federal Reserve bank does likewise. I understand the Comptroller of the Currency carries his own auditing expense. What I am asking here is that the Federal Housing Administration be directed to pay, out of its insurance premiums, for all regular examinations to which insured institutions are subjected by the Insurance Corporation. I ask that the amendment be adopted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The question was taken; and on a division (demanded by Mr. CRAWFORD) there were—ayes 29, noes 110.

So the amendment was rejected.

Mr. LUCE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: On page 43, after line 14, insert a new section to read as follows:

Sec. 39. Section 404 (a), (b), and (c) of the National Housing Act is hereby amended by striking out the words "one-eighth of 1 percent" and inserting in lieu thereof the words "one-twelfth of 1 percent."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

Mr. LUCE. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: On page 43, after line 14, insert a new section to read as follows:

"Sec. 39. Subsection (b) of section 405 of the National Housing Act, as amended, is amended to read as follows:

"(b) In the event of a default by an insured institution the Corporation shall promptly determine the insured members thereof and the amount of each insured account, and shall make available to each of them, after notice by mail at his last-known address as shown by the books of the insured institution and upon surrender and transfer to the Corporation of his insured account free and clear of any lien or other encumbrance, either (1) a new insured account in an insured institution not in default, in an amount equal to the insured account so transferred, or (2) at the option of the insured member, the amount of his account, which is insured under this section, as follows: At least 10 percent in cash; and one-half of the remainder in negotiable debentures of the Corporation payable within 1 year from the date of default, bearing interest from such date at the rate of 2 percent per annum; and the balance in negotiable debentures of the Corporation payable within 3 years from the date of default, bearing interest from such date at the rate of 2 percent per annum. The Corporation shall furnish to each insured institution a certificate stating that the insurance of accounts in such institutions is to be paid in the manner described in this subsection."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

Mr. LUCE. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: On page 43, line 14, add a new section, as follows:

"Sec. 39. Section 407, subsection (a) of the National Housing Act is hereby amended to read as follows:

"Any institution which is insured under the provisions of this title may, upon not less than 90 days' written notice to the Corporation, terminate its status as an insured institution upon a majority vote of its shareholders entitled to vote, or upon a majority vote of its board of directors or other similar governing body which is authorized to act for the institution. In the event of such voluntary termination of the insurance of accounts, such insured institution shall pay one additional annual insurance premium as is provided by subsection (a) of section 404 and the insured accounts in such institution, to the extent of the amount paid in and credited thereto upon such date, shall remain insured to the end of the period for which such premium is paid."

Mr. LUCE. Mr. Chairman, earlier in the day to a small squad of the faithful I explained the reasons for the objections that some members of the Committee have to the pending bill. Probably four-fifths of those now present did not hear the arguments made at that time; so, very succinctly I would for their benefit sum up the causes of our criticism.

We do not object to any sane and reasonable method of encouraging the building of houses. We do believe that they should be built after the English pattern for those persons of meager circumstances. Our chief objections to this measure are rested upon two things: First, the threat to the interest rate throughout the country which portends damage to the great masses of our people who carry life insurance or who have saved money by the help of the cooperative thrift associations. Secondly, we hold it to be outrageous that any authority for lending money on a 10-percent margin should be set up by legislation of Congress. For these reasons, we would have preferred to go along with the bill, could the amendments offered in behalf of

the building and loan associations by the executive vice president of their national league, Morton Bodfish, have been considered and could time have been allowed for the study that the importance of the measure deserves. We are, however, deprived of what we wish we might do by the situation as it presently exists.

Mr. STEAGALL. Mr. Chairman, let the RECORD show that at least points of order have not been made against these various nongermane amendments because of our deference to the wishes and convenience of the Members who desire to get away.

Mr. LUCE. Mr. Chairman, under leave granted to accompany with a statement extension of my remarks on the national housing bill, I append the suggestions made to the Committee on Banking and Currency for improving the bill by remedying its defects and the amendments to that end which were offered and ignored.

(The United States Building and Loan League is the national trade organization of cooperative thrift and home-financing institutions. These institutions have been active in the United States since 1831 in encouraging thrift and using accumulated savings and investments exclusively to finance the buying, building, and owning of homes by high-percentage, long-term, amortized first mortgages. The league represents over 4,000 individual institutions and 47 State leagues. Its member institutions have 80 percent of the total assets of such institutions in the United States and include savings and loan associations, building and loan associations, cooperative banks, and Federal savings and loan associations in every part of the United States.)

The savings, buildings, and loan associations of the United States are anxious to do everything practical and possible to encourage the buying, building, and owning of homes and the improvement of housing and employment conditions throughout the United States. The thrift and home-financing institutions consider it most appropriate that the President of the United States should ask the Congress to consider this question at this time. We are in favor of general retrenchment in Government activities and expenditures. We believe that house-building activity follows or accompanies general business activity. Much greater building activity would undoubtedly have taken place in recent years had not costs completely outrun rents. High costs and low rents, coupled with vacancies and unabsorbed existing property, inevitably make a slow real estate and new construction market. Frankly, in most cities and towns it has been cheaper to rent or purchase existing properties than to build new homes or apartment buildings. The problem is a serious one and we trust that the committees of the Congress will canvass all available resources and methods which can contribute to the objective properly stated by President Roosevelt in his housing message, namely, "private enterprise and private capital must bear the burden of providing the great bulk of new housing." Today, except for a few areas, our thrift and home-financing institutions are actively financing the repair, buying, building, and owning of homes. In 1936 our institutions loaned nearly a billion dollars and this year we will pass this figure.

The legislation proposed to carry out the objectives in the President's message deals exclusively with amendments to the National Housing Act (F. H. A.). A number of the proposals we feel merit trial and can be supported by our thrift and home-financing institutions. Others need careful scrutiny as to whether they will accomplish in an orderly way better housing and greater home ownership in the United States through private enterprise. Questions of fundamental long-time policies are involved upon which may depend the future course of home financing in this country. For example, should the leadership and Treasury of the Federal Government be thrown behind the building of large apartment dwellings for rent, primarily in large cities? Should the guarantee or insurance of private mortgage debt become permanent policy and be placed on a subsidy basis, with the United States Treasury obligated to repay the commercial banks (which are and will be the principal lenders under the new legislation) in a future depression or real-estate deflation? Is it truly "private enterprise" if Government capital must be used to organize national mortgage associations to make and buy the mortgages insured or guaranteed by the Government through F. H. A.? Is it in the interest of local institutions and private enterprise for the Government to attempt to control interest rates and loan terms, possibly to the point where community thrift institutions, with their billions of funds supplied by savers and investors, the "little lenders" of the United States, cannot successfully operate?

The amendments and suggestions which follow have two purposes—first, to direct the F. H. A. activities toward new construction, repairs, and employment on a fair basis that does not involve undue risk, subsidy, or ultimate loss on the part of the Government; and second, to so modify existing legislation that our thrift and home-financing institutions which are today doing from half to two-thirds of the home financing, can continue to function effectively under the new conditions which may grow out of this legislation. Again, our savings, building and loan associations are anxious to cooperate in every way to serve the general welfare. We believe that our 100 and more years of experience in coopera-

tive activity in practically every community in the United States, through which over 8,000,000 families have been enabled to build or acquire homes, attests our usefulness and objectives.

The amendments, preceded by a brief explanation, follow:

[Words italicized in amendments indicate changes or additions to existing law or proposed bill.]

AMENDMENT I

Section 5, page 3, line 4, of H. R. 8520 and S. 3055 is amended by striking out the words and figures "July 1, 1939" and inserting in lieu thereof the words and figures "*January 1, 1938.*"

Section 7, pages 3-4. This section proposes 90-percent loans to owner occupants of newly constructed homes. We are doubtful as to whether trustee institutions can wisely use savers' and investors' funds in making such high-percentage advances unless additional and substantial safeguards are provided. Variations in appraisal judgments, economic conditions, shifting districts, absence of city zoning and planning, taxes as prior liens, foreclosure delays and expenses, depreciation, obsolescence and the like make such loans hazardous for the institutional lender.

Much is said of the experience in Great Britain, where building societies (savings and loan associations) make 90-percent loans. This is true, but the builders and those who immediately profit in the building transaction margin those loans with cash or securities and cosign or endorse their repayment down to a normal 75- or 80-percent advance. This means that those who profit from the building and real-estate operations assume a part of the risks attending such abnormal financing. In the F. H. A. proposal the losses are to be assumed in part by mortgage-lending institutions, but, in the main, by the mutual mortgage fund and the Treasury guaranty of its securities. If it is desirable to give 90-percent financing to the citizen who builds or buys a home for his own occupancy, we suggest that British experience be followed and that other parties to the transaction be required to share the risks and responsibilities of 90-percent advances, rather than realize their profits and step out of the transaction, leaving the owner, the thrift institution, and the Government all the risks of loss. It does not seem unfair to ask those who substantially and immediately profit to leave a modest portion of their profits in the transaction for the protection of the lender and the Government.

Further, there would automatically be a more careful selection of purchasers, an influence for better construction, and a continuing interest on the part of the builder or real-estate operator. We therefore propose that the builder or real-estate operator endorse this paper until it is paid down to 75 percent of the original appraisal and also place in a builders' pool or deposit 5 percent of the original appraised value. Stated briefly, this would achieve the President's objective of a 90-percent loan to the home owner and at the same time a reasonable added protection would be required for the financial institution and the Government in connection with these high-percentage risky advances.

We further feel that the President's message proposes that such loans be made to facilitate the construction of homes for people of small or moderate incomes, but still above the lowest income group (which is to be assisted through the subsidized and slum-clearance housing under the United States Housing Act of 1937). A \$5,400 loan for this medium-income group is higher than necessary in the smaller cities and too low for some of the larger cities.

We therefore propose the following two amendments to section 7:

AMENDMENT II

Section 7, page 4, line 6, of H. R. 8520 and S. 3055 is amended by striking out the figures "\$5,400" and inserting in lieu thereof the words and figures "*\$4,500 to \$7,200, depending on and varying with the size of the town or city and the prevailing cost of providing homes for persons of low or moderate wage income, to be prescribed in rules and regulations by the Administrator.*"

AMENDMENT III

Section 7, page 4, line 17, of H. R. 8520 and S. 3055 is amended by adding at the end of said section the following additional language:

"In all cases where mortgage insurance is applied for in an amount in excess of 80 percent of the appraised value of the property the applicant shall submit an agreement in form satisfactory to the Administrator, executed by the building contractor, a building-material dealer, real-estate developer, or any other person, firm, or corporation immediately profiting from such building transaction, effectively binding such person, firm, or corporation, to cosign or endorse such loan over and above 75 percent of the original appraised value, and binding such person, firm, or corporation to deposit in cash or securities acceptable to the Administrator and approved by the mortgagee an amount equivalent to 5 percent of such loan with the approved mortgagee to secure such agreement, and final mortgage insurance shall not be granted in such cases until there has been compliance satisfactory to the Administrator."

Section 9, page 5: No amendment is formally offered to this section. Attention is directed to the fact that the Government will undoubtedly be subsidizing the insurance or guaranty of private mortgage debts through the change in the premium arrangements. The premiums are to be determined on diminishing balances of the mortgage, rather than continuing on the original principal. This will cut by half the premium income of the F. H. A. on guaranteed mortgages. Further, a quarter of 1-percent premium on diminishing balances is proposed, as regards the 90-percent new construction loans, a decrease of 75 percent in premium in-

come to the F. H. A. mutual mortgage fund. It does not seem logical that, if one-half of 1-percent premiums are needed to insure or guarantee 80-percent mortgages, that one quarter of 1 percent will protect the Government on 90-percent risks: It is clear that this adjustment in premiums further puts the insurance on a subsidy basis, as the expenses of the F. H. A. promotion and operation to date have been many times the income from premiums. As near as we can discover from published reports, the premium income and appraisal income under title II is less than \$6,000,000, while the F. H. A. has drawn from the R. F. C. over \$51,000,000 for its promotion and expenses (including title I, and \$10,000,000 originally allocated to the mutual mortgage fund). Of the mortgage volume in the last 2 or 3 years, only approximately 20 percent has been insured or guaranteed under the F. H. A. plan, only a small percentage of the financial institutions have made insured mortgages and, finally, nearly two-thirds of the F. H. A. insured or guaranteed mortgages have been made by commercial banks (both State and National). Many financial institutions have felt that if the mortgage were a sound loan and a good risk that insurance was not needed and if it were a doubtful loan, it should not be made regardless of the partial guaranty.

New Section 9a. Great misunderstanding on the part of the public has surrounded the operations of title II, F. H. A., as regards costs to the borrower. Instead of the much-advertised and publicized 5 percent, the cost to the borrower has run 6.4 percent and up. Financial institutions whose prevailing rates were equal or lower were placed in the difficult position of explaining that the Government-insured mortgages involved costs to the borrower in excess of 5 percent. The full facts were not publicized or understood by the public. Community thrift institutions, such as savings, building and loan associations, must reasonably meet competitive situations and must survive on the basis of their ability to render a fair-priced and a better service than their competitors. We believe that the public interest would be served and fair business practice maintained if appropriate statutory requirements were made providing for the full disclosure and recording of all costs involved in an F. H. A. insured mortgage.

The following amendment proposes procedure for the F. H. A. which will eliminate one of the most discouraging competitive features, as far as insured mortgages are concerned.

AMENDMENT IV

Immediately following Section 9, add the following new and additional section 9a:

"Section 9a. Subsection (d) of Section 203 of title II of the National Housing Act is amended to read as follows:

"(d) The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this section. *Such rules and regulations shall prescribe the interest rate, the insurance rate, and the fees or other charges for commission, brokerage, initial service charge, appraisal, title, and any other fee or charge permitted by such rules and regulations to be made against the mortgagor by Federal Housing Administration, the approved mortgagee, or any other person, firm, or corporation. Upon the closing of each insured mortgage or mortgage upon which application for insurance is to be made a full and clear statement of the interest, insurance, service, commission, brokerage, repayment penalty, fees, and any other charges paid or to be paid by the mortgagor shall be prepared and signed by the mortgagee and furnished to the mortgagor, and a signed copy of the same shall be furnished to Federal Housing Administration with the final application for mortgage insurance. The interest rate on insured mortgages shall not be published without publication of the total cost to the borrower of such insured mortgage by a statement of the total effective cost of the money to the borrower, including all items, or by a statement of such items.*"

Section 11, page 9: No formal amendment is offered to this section. It is important because it makes permanent the policy of issuing debentures fully and unconditionally guaranteed as to principal and interest by the United States Government in exchange for defaulted mortgages and the transfer of such real estate to the Government. This proposal would seem to admit that the insurance or guarantee of mortgages cannot succeed as originally proposed unless lenders are assured of Government bonds in exchange for defaulted mortgages.

Section 20, pages 14-15: It would seem desirable to grant as much opportunity as possible to reduce the liability of the Government on these guarantees of private debts. This section provides for the termination of the insurance in case a mortgage loan is repaid or foreclosed (without conveyance to the Government). As the insurance runs primarily for the benefit of the lender, it would seem proper to provide by statute that the mortgagor and the mortgagee might drop the insurance or guarantee of the mortgage if the lender were willing to carry the risk without insurance.

The following amendment is therefore offered:

AMENDMENT V

Section 20, page 15, line 8 of S. 3055 and line 10 of H. R. 8520, is amended by the addition of the following language:

"Upon the joint request of the mortgagor and the mortgagee made to the Administrator in writing the mortgage insurance with respect to such mortgage and such mortgagor shall terminate and the obligation to pay the annual insurance premium charge shall cease and all rights of the mortgagor and the mortgagee under sections 204 and 205 shall terminate."

Section 22, pages 16-28: No formal amendment is offered to this section. The section completely rewrites the present section 207, which is now by statute confined to housing for "persons of low income." This general restriction is removed from the statute and 80-percent loans are to be insured or guaranteed by the Government on properties with a value not to exceed \$1,200 per room, with all matters of rent, sales charge, capital structure and the like, to be determined by the Administrator. (See subsec. (b), (1) and (2).)

In subsection (e), \$1,000,000 of funds which have arisen from appraisal fees paid by individual home owners are to be transferred, to be used as a revolving fund for carrying out section 207 in guaranteeing mortgages for the building of apartment and rental properties. If this \$1,000,000 fund is not adequate to pay losses, the Secretary of the Treasury is committed to make necessary expenditures.

The theory of the insurance or guaranty is that the Government (F. H. A.) shares or takes part of the risk of the lender. Apparently, under subsection (f), the lender on large-unit projects is not required to risk any of his advance in the case of a default resulting from an unwise building venture or a business recession. The insurance or guaranty of benefits to corporations, etc., building large-unit apartment or rental housing under the pending legislation is more liberal than that made available to individual mortgages on homes. For example, the effect of the section is to cause Government-guaranteed debentures to be issued to the lender almost immediately on default, with the Government, through the Administrator, assuming full responsibility and undertaking the foreclosure action. The debentures issued to the lending institution cover all its loan and outlays. Again, these debentures, as provided in subsection (g) are fully and unconditionally guaranteed as to principal and interest by the United States. It would seem that this strong support of construction of rental and apartment housing by Government might, in the long run, adversely influence the American ideal of home ownership. To a certain extent, it means that Government credit or Government underwriting is being placed extensively behind building ventures designed essentially for private profit and of an ordinary business nature.

It should be noted in subsection (i) that the Administrator not only acquires possession of and title to the property before instituting foreclosure proceedings, but is obligated to refinance the project, even though the original lender has received his Government debentures and is entirely out of the transaction. It should be noted that no minimum insurance premium or maximum interest rates apply to this section as exist in the case of the home mortgages. Coupled with the proposals as regards national mortgage associations, practically direct Government financing on apartment projects is accomplished.

Section 25, page 28: This section likewise is designed to finance the construction of multifamily dwellings or groups of not less than 25 single-family dwellings, which will also give strong Government support to the financing and construction of multifamily or apartment dwellings. The guaranties are supported by debentures to be guaranteed by the United States.

Section 26, page 32: Revises in part title III, which provides for national mortgage associations. No such discount or wholesale associations have been organized under the present legislation, even though the R. F. C. has offered to furnish a portion of the capital. We feel that the organization of one or more national mortgage associations by the Government, using exclusively Government capital, is a direct advance or expansion in Government lending activities. We are opposed to the creation of any such organizations to function in the small-mortgage field now served by savings, building and loan associations, and other private or community thrift institutions. The Federal Home Loan Bank system, in which nearly 4,000 building and loan associations and a limited number of savings banks and insurance companies have invested over \$31,000,000 in capital and whose 12 banks have successfully entered the capital market recently to the extent of \$75,000,000, represent adequate Government provision in the small-mortgage field. Whether such national associations are needed to make or purchase the large-unit mortgages created under sections 207 and 210 is for the Congress to decide, but we are unqualifiedly opposed to the establishment of these organizations with Government capital to duplicate and intrude upon the activities of the 12 Federal Home Loan Banks.

We therefore suggest the following amendment:

AMENDMENT VI

Section 26, page 32, strike out all of subsection (1), lines 10 to 20 of S. 3055 and lines 12 to 22 of H. R. 8520, and insert in lieu thereof the following: "(1) to make, purchase, and sell mortgages or securities authorized to be insured under sections 207 and 210 of this act."

National mortgage associations are not needed to protect the liquidity of commercial banks making F. H. A. guaranteed mortgages, as present statutes permit the Federal Reserve System wide latitude in making advances to members on insured mortgages.

Sections 27, 28, and 29, pages 32-35, S. 3055, and 33-35, H. R. 8520: The significant changes from the present statute are that national mortgage associations can be started by putting up in mortgages, instead of cash or Government securities, 25 percent of the present \$2,000,000 minimum capital. Furthermore, it is provided that obligations may be issued to 20 times the amount of capital and

surplus. This is a 5-percent margin on very long time securities, which seems hardly conservative.

These broad provisions are even more significant in light of the sweeping and complete tax exemptions provided for these organizations and the securities which they issue from all State, county, or municipal taxation. It is further proposed that these national mortgage associations and the securities which they issue be exempted from Federal taxation. This would make them very similar in status to the joint-stock land banks which functioned in the farm field. Such tax exemptions seem hardly appropriate for mortgage companies privately managed and operated for private profit. We are most anxious that the activities of national mortgage associations be concentrated in the large unit field, if it is necessary to authorize them at all. Frankly, we would much rather see the R. F. C. purchase some of the large unit obligations guaranteed under 207 and 210, if Government funds are needed at this time for large unit construction. Later, the necessity of additional Government-sponsored mortgage companies, as contrasted with the private trustee institutions or organizations developed solely with private capital, could be determined.

Section 35, page 38: This section provides for the revival of title I of the National Housing Act. It is the desire of savings, building, and loan associations to support and participate in the activities under title I. As it is difficult or impossible to adapt our lending arrangements to those which are followed by commercial banks and finance companies, we urge that an amendment be included clearly declaring a legislative policy with regard to participation of savings and loan associations and like institutions. In light of our experience with the regulations and our difficulties in functioning under title I, and our splendid loss record, as far as the Government guaranty was concerned, we are most anxious that this matter be dealt with in the legislation. We do not advocate the Government assuming the losses incurred in the financing of refrigerators and other appliances.

The amendment is as follows:

AMENDMENT VII

Section 35, page 39, line 5 of S. 3055 and line 9 of H. R. 8520, is amended by the addition at the end thereof within the quotation marks of the following:

"The Administrator shall provide by regulation for the insurance of loans under this title, made for the repair, modernization, and improvement of real estate, repayable on an amortized basis, insured for a period not exceeding 5 years, and on a basis so that such loans may be made by savings and loan associations and similar institutions consistent with the law under which such institutions operate."

AMENDMENTS TO FEDERAL HOME LOAN BANK ACT, HOME OWNERS' LOAN ACT OF 1933, TITLE IV OF THE NATIONAL HOUSING ACT, AND THE FEDERAL RESERVE ACT

The amendments which follow are proposals which have been considered by committees and official bodies of the United States Building and Loan League. Their inclusion in the pending S. 3055 and H. R. 8520 is urged on the ground that their enactment will permit our institutions which are members of the Home Loan Bank System or which have their shares insured, better to cope with the competitive aspects of mortgage business created by the new legislation, particularly as regards rates, and also assist our Home Loan Bank System and our institutions in continuing the expansion of home-financing activities. We believe that with these amendments, in addition to the suggestions previously made, we can do a useful part in financing the ownership, repair, and building of homes and small multifamily properties at this time.

Section 38 (a new section to be added to pending bills). This amendment revises the definition of "home mortgage" in the Federal Home Loan Bank Act, and would permit our home-loan banks to accept as security for advances to member institutions mortgages on dwellings housing more than four families. A concluding sentence in the amendment is a technical change which is needed in connection with determining the amount of stock subscription required of member institutions.

The amendment is as follows:

AMENDMENT VIII

"Section 38. Subsection (6) of section 2 of the Federal Home Loan Bank Act, as amended, is amended to read as follows:

"(6) The term 'home mortgage' means a mortgage upon real estate, in fee simple, or on a leasehold (1) under a lease for not less than 99 years which is renewable or (2) under a lease having a period of not less than 50 years to run from the date the mortgage was executed, upon which there is located or to be immediately built a dwelling or dwellings for not more than four families, or for more than four as determined by the Board, and shall include, in addition to first mortgages, such classes of first liens as are commonly given to secure advances on real estate by institutions authorized under this act to become members, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby. The term 'home mortgage' shall not include farms, ranches, and other property whose value arises principally from its nonresidential use."

Section 39 (a new section). This section is pointed toward precisely the same objective as the preceding amendment and deals with the loan section of the Home Loan Bank Act, while the preceding amendment deals with the definition section. This amendment permits home-loan banks to accept mortgages up to \$30,000 or even higher, if permitted by the Federal Home Loan Bank Board.

It complements and is necessary to carry out the principle of permitting home-loan banks to encourage their member institutions to go somewhat beyond the field of home mortgages.

AMENDMENT IX

Sec. 39. The first two sentences of subsection (b) of section 10 of the Federal Home Loan Bank Act, as amended, are amended to read as follows:

"(b) No home mortgage shall be accepted as collateral security for an advance by a Federal home loan bank if, at the time such advance is made (1) the home-mortgage loan secured by it has more than 20 years to run to maturity, or (2) the home mortgage exceeds a figure fixed by regulations of the Board, which figure shall not be less than \$30,000, or (3) is past due more than 6 months when presented, unless the amount of the debt secured by such home mortgage is less than 50 percent of the value of the real estate with respect to which the home mortgage was given, as such real estate was appraised when the home mortgage was made. For the purposes of subsection (a) the value of real estate shall be as of the time the advance is made and shall be established by such certification by the borrowing institution, in accordance with the regulations of the Board."

Section 40 (a new section): The Home Loan Bank System serves more than 4,000 local thrift and home-financing institutions and is steadily expanding. It is now issuing securities which have been well accepted in the financial markets, although they are shorter-term securities than should be issued in the future. In order to assist this system in issuing longer-term securities, it is desirable that a portion of the authorized bonding authority of the Home Owners' Loan Corporation be made available to the bank system to support its financing if necessary. The fund is needed, not for immediate use but as an alternative or psychological support to the general money market in case of depression or a stringent money situation. The existence of such an authorization would also have a favorable bearing on the cost of the funds which the system will be obtaining from the general money market from time to time. A \$200,000,000 fund seems an appropriate and modest request, in comparison with the \$2,000,000,000 fund which stands back of the Federal land banks.

The amendment does not change the substance of the present section, under which over \$200,000,000 have been invested by the Corporation primarily in shares of Federal savings and loan associations, but permits the Treasury and the Home Owners' Loan Corporation Board to act should a financial crisis develop.

The amendment is as follows:

AMENDMENT X

Sec. 40. Subsection (n) of section 4 of the Home Owners' Loan Act of 1933, as amended, is amended by the addition of the following language:

"Of the total authorized bond issue of the Corporation, \$200,000,000, with the approval of the Secretary of the Treasury, shall be available for the purchase of bonds, debentures, or notes issued under section 11 of the Federal Home Loan Bank Act, as amended; and any funds realized by the Corporation from the sale of such investments made under the provisions of this subsection may be reinvested by the Corporation at any time in said bonds, notes, and debentures."

Section 41 (a new section): The Home Owners' Loan Act provided for the chartering of Federal savings and loan associations and conversion of existing institutions into such associations. With the emphasis that is apparently going to be placed on large-unit properties, it is our recommendation that these associations be permitted to invest 30 percent of their assets in such advances, rather than the present 15 percent. Also, in this amendment the language is clarified with regard to investment in securities other than mortgages. Under this language, the associations will be permitted to purchase securities approved by the Board, which securities would not only contribute to the liquidity of the institution but which might also permit the associations to purchase partial interests in mortgages made under sections 207 and 210, as amended by the pending legislation, and such other securities as might be approved by the Federal Home Loan Bank Board.

The amendment is as follows:

AMENDMENT XI

"Sec. 41. Subsection (c) of section 5 of Home Owners' Loan Act of 1933, as amended, is amended to read as follows:

"(c) Such associations shall lend their funds only on the security of their shares or on the security of first liens upon homes or combination of homes and business property within 50 miles of their home office: Provided, That not more than \$20,000 shall be loaned on the security of a first lien upon any one such property; except that not exceeding 30 percent of the assets of such association may be loaned on improved real estate without regard to said \$20,000 limitation, and without regard to said 50-mile limit, but secured by first lien thereon: And provided further, That any portion of the assets of such associations may be invested in obligations of, or guaranteed as to principal and interest, by, the United States, the stock or obligations issued pursuant to the Federal Home Loan Bank Act, obligations of the Federal Savings and Loan Insurance Corporation, or in other securities approved by the Board: And provided further, That any such association which is converted from a State-chartered institution may continue to make loans in the territory in which it made loans while operating under State charter."

Section 42 (a new section): Litigation is now pending which questions the right of the Federal Government to charter thrift and home-financing institutions by challenging the constitutionality of that portion of the Home Owners' Loan Act of 1933 which provides for Federal savings and loan associations. While the district court decision has been favorable, appeal has been made by officials representing the State of Wisconsin, and it is important that over 1,200 Federal savings and loan associations have a statutory vehicle for returning to State jurisdiction if the higher courts reverse the lower court decision. Further, with the Federal Government inviting the conversion of State institutions to Federal ones, it seems only proper that provision be made for Federal institutions to become State-chartered ones under State supervisory authorities, if their members so desire.

The amendment is as follows:

AMENDMENT XII

SEC. 42. Section 5 of the Home Owners' Loan Act of 1933, as amended, is hereby amended by inserting after subsection (i) a new subsection to read as follows:

"(j) Any Federal savings and loan association may convert itself into a State-chartered savings and loan association or mutual savings bank upon a vote of 51 percent or more of the votes cast at a legal meeting called to consider such action; such conversion shall be subject to the laws of the State in which the institution is located and shall be consummated only upon acceptance of the institution by the State under such terms and arrangements as the State statutes and the supervisory authorities of the State prescribe. Upon completion of such conversion, the association shall no longer be subject to the rules and regulations or examination by the Federal Home Loan Bank Board, but institutions having Government funds invested in their shares may not convert without the assent of the Federal Board."

Section 43 (a new section): The home-loan banks have member institutions with assets of approximately \$4,000,000,000. These member institutions depend on the home-loan banks for both long-term capital and for emergency funds should a period of financial stress arise. In order to strengthen the general financial picture in emergency periods and permit the Federal Reserve banks to extend the same accommodations to the 12 home-loan banks which the Reserve banks may now extend to the intermediate-credit banks, similar provisions are urged as additions to section 13a of the Federal Reserve Act. These additions are important if the home-loan banks are to expand their usefulness and are to support properly their member institutions should a period of deflation and withdrawals develop.

AMENDMENT XIII

SEC. 43. Section 13a of the Federal Reserve Act, as amended, is further amended by adding the following two paragraphs:

"Any Federal Reserve bank may, under rules and regulations not inconsistent herewith prescribed by the Board of Governors of the Federal Reserve System, buy debentures or bonds issued pursuant to the provisions of section 11 of the Federal Home Loan Bank Act, as amended.

"Any Federal Reserve bank may, subject to regulations not inconsistent herewith prescribed by the Board of Governors of the Federal Reserve System, make loans to Federal home-loan banks upon the security of notes or notes secured by mortgage or other real-estate lien taken by such Federal home-loan banks pursuant to the Federal Home Loan Bank Act, as amended, and any Federal Reserve bank is authorized to rediscount such notes and notes secured by mortgage or other lien on real estate with the endorsement of such Federal Home Loan Banks."

Section 44 (a new section): In connection with the insurance of share accounts there has been much complaint about examination costs and duplicating examinations. State supervisory officials are particularly concerned over the question. It is believed by our people that the Insurance Corporation can absorb the cost of such examinations as it finds necessary out of the annual insurance premium. This is done in the F. D. I. C. and we urge that this precedent be followed as regards institutions insured by the Federal Savings and Loan Insurance Corporation. The Corporation now has \$110,000,000 in capital and reserves and its premium income seems much more than necessary to pay examinations and still steadily accumulate adequate reserves.

The amendment is as follows:

AMENDMENT XIV

Section 44. Section 403 of the National Housing Act is hereby amended by adding the following new and additional subsection (e):

"(e) The Corporation, out of its insurance premiums, shall pay for all regular examinations to which insured institutions are subjected by the Insurance Corporation. This does not apply to examinations prior to insurance or special examinations arising in cases of default, defalcations, and like unusual circumstances."

Section 45 (a new section). This amendment is a companion amendment to the previous proposal. We are certain that the risk assumed in the insurance of accounts in savings and loan associations, because of the limited guarantee, is not nearly so great as that assumed by the F. D. I. C. in the insurance of bank deposits. The statute requires the building of substantial reserves by insured institutions as well as many precautions limiting the insurance risks assumed by the Insurance Corporation. Also, there is an assessment feature not found in the F. D. I. C., through which institutions may have to pay an additional one-eighth of 1

percent per annum, if required by the F. S. and L. Insurance Corporation for expenses and losses. We ask that the insurance premium be reduced at this time because of the difficulties our institutions encounter in meeting constantly falling interest rates and, at the same time, in paying a sufficient return to savers and investors to attract capital. It is roughly estimated, omitting the one-eighth of 1 percent premium assessment feature, and including compulsory allocations to reserves, plus cash premiums, plus examination charges, that it is costing many institutions almost three-eighths of 1 percent per annum to have their accounts insured.

We therefore offer the amendment making the premium for the insurance of accounts of thrift and home-financing institutions one-twelfth of 1 percent, the same as the F. D. I. C. premium for commercial banks.

AMENDMENT XVII

SECTION 45. Section 404 (a), (b), and (c) of the National Housing Act is hereby amended by striking out the words "one-eighth of 1 percent" and inserting in lieu thereof the words "one-twelfth of 1 per centum."

Section 46 (a new section). This is a second companion proposal in making the insurance of accounts more attractive to thrift and home-financing institutions and their investors. It deals with the payment of insured account holders in the case of liquidation of insured institutions. At present the investors receive immediately 10 percent cash and non-interest-bearing debentures maturing in 1 and 3 years for the balance of their accounts. This feature of the insurance has given rise to many critical comments from competitors and it is felt that it unnecessarily decreases the attractiveness of the insurance of accounts. Presumably, the 45 percent of a \$5,000 account which was paid in 3 years would bring the investor only 80 percent or 85 percent of his investment if he sold his non-interest-bearing security. We therefore propose to authorize payment of 2 percent on the 1- and 3-year debentures.

The amendment is as follows:

AMENDMENT XVI

"SEC. 46. Subsection (b) of section 405 of the National Housing Act, as amended, is amended to read as follows:

"(b) In the event of a default by an insured institution the Corporation shall promptly determine the insured members thereof and the amount of each insured account, and shall make available to each of them, after notice by mail at his last-known address as shown by the books of the insured institution and upon surrender and transfer to the Corporation of his insured account free and clear of any lien or other encumbrance, either (1) a new insured account in an insured institution not in default, in an amount equal to the insured account so transferred, or (2) at the option of the insured member, the amount of his account, which is insured under this section, as follows: At least 10 percent in cash; and one-half of the remainder in negotiable debentures of the Corporation payable within 1 year from the date of default, bearing interest from such date at the rate of 2 percent per annum; and the balance in negotiable debentures of the Corporation payable within 3 years from the date of default, bearing interest from such date at the rate of 2 percent per annum. The Corporation shall furnish to each insured institution a certificate stating that the insurance of accounts in such institutions is to be paid in the manner described in this subsection."

Section 47 (a new section): Hundreds of successful State-chartered savings and loan associations have not insured their accounts because of apprehensions regarding dual regulation and supervision. Further, the 3-year premium penalty in the statute and regulations of the Federal Home Loan Bank Board have made it rather difficult, if not impossible, to withdraw from the insurance if the institution, its board, or its members, so desire. At present an institution withdrawing must pay 3 years of penalty premiums, during which interval its account holders are not insured. We propose that a withdrawing institution pay 1-year penalty premium and that the accounts remain insured during that year. This could be accomplished by the following amendment, which is sort of a third companion amendment to make the insurance more popular and effective and thus assist the whole thrift and home-financing movement of the building and loan type. This amendment will substantially increase the acceptance of the insurance by State-chartered institutions. It is now compulsory for Federal associations.

AMENDMENT XVII

Section 47: Section 407, subsection (a), of the National Housing Act is hereby amended to read as follows:

"Any institution which is insured under the provisions of this title may, upon not less than 90 days' written notice to the Corporation, terminate its status as an insured institution upon a majority vote of its shareholders entitled to vote, or upon a majority vote of its board of directors or other similar governing body which is authorized to act for the institution. In the event of such voluntary termination of the insurance of accounts, such insured institution shall pay one additional annual insurance premium as is provided by subsection (a) of section 404 and the insured accounts in such institution, to the extent of the amount paid in and credited thereto upon such date, shall remain insured to the end of the period for which such premium is paid."

As a concluding comment, there are no proposals in the pending legislation that indicate Government policy or procedure in

dealing with the question of building costs. It should be recorded that capital or interest costs are the only costs in connection with construction which have substantially decreased in the post-depression period. It would seem that if the drive to lower financial charges and to increase the percentage, term, and risk of mortgages is to continue, policies and procedure as regards the other costs should be embodied in the legislation. The British housing boom took place under conditions of reasonable and falling costs, complete confidence of the British public in the economic situation, and during its first dozen years under conventional 6-percent interest rates to the capital of thrift or savings institutions financing the home building.

With the above amendments, savings, building and loan associations will be able to cooperate with titles I and II of the Federal Housing Act and at the same time carry on and expand their regular business of financing the building, repair, and buying of homes in increasing volume.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The amendment was rejected.

The CHAIRMAN. Under the rule the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CELLER, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill (H. R. 8730) to amend the National Housing Act, and for other purposes, and pursuant to House Resolution 384, he reported the bill back to the House with an amendment adopted by the Committee.

Mr. STEAGALL. Mr. Speaker, I move the previous question on the bill and the amendment thereto to final passage.

The previous question was ordered.

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. WOLCOTT) there were—yeas 267, noes 30.

Mr. TABER. Mr. Speaker, I ask for the yeas and nays. The yeas and nays were ordered.

The question was taken; and there were—yeas 324, nays 23, answered "present" 5, not voting 78, as follows:

[Roll No. 22]

YEAS—324

| | | | |
|-----------------|-------------|----------------|--------------------|
| Aleshire | Cravens | Forand | Johnson, Luther A. |
| Allen, Pa. | Creal | Ford, Calif. | Johnson, Lyndon |
| Amie | Crosby | Frey, Pa. | Johnson, Minn. |
| Anderson, Mo. | Crosser | Fries, Ill. | Johnson, Okla. |
| Andersen, Minn. | Culkin | Fuller | Johnson, W. Va. |
| Arnold | Cullen | Gamble, N. Y. | Kee |
| Atkinson | Curley | Gambrill, Md. | Keller |
| Barden | Daly | Garrett | Kelly, Ill. |
| Barry | Deen | Gasque | Kelly, N. Y. |
| Beam | Delaney | Gavagan | Kennedy, N. Y. |
| Beiter | Dempsey | Gehrmann | Kennedy |
| Bell | DeMuth | Gildea | Keogh |
| Biermann | DeRouen | Gingery | Kerr |
| Bigelow | Dickstein | Goldsborough | Kinzer |
| Bland | Dies | Gray, Ind. | Kirwan |
| Bloom | Dingell | Greenwood | Kitchens |
| Boehne | Dirksen | Gregory | Knutson |
| Boileau | Ditter | Griffith | Kocalkowski |
| Boland, Pa. | Dixon | Griswold | Kramer |
| Boyer | Dockweiler | Gwynne | Kvale |
| Boykin | Dorsey | Haines | Lambeth |
| Bradley | Doughton | Halleck | Lanham |
| Brown | Dowell | Hamilton | Lanzetta |
| Buck | Drew, Pa. | Hancock, N. C. | Larrabee |
| Bulwinkle | Driver | Harlan | Leavy |
| Burdick | Duncan | Harrington | Lemke |
| Byrne | Dunn | Hart | Lesinski |
| Cannon, Mo. | Eaton | Harter | Lewis, Colo. |
| Cannon, Wis. | Eberharter | Havener | Lewis, Md. |
| Cartwright | Eckert | Healey | Long |
| Casey, Mass. | Edmiston | Hendricks | Lord |
| Celler | Eicher | Hennings | Lucas |
| Chandler | Ellenbogen | Hildebrandt | Luckey, Nebr. |
| Chapman | Elliott | Hill, Ala. | Ludlow |
| Citron | Englebright | Hill, Wash. | Luecke, Mich. |
| Clark, Idaho | Evans | Hobbs | McAndrews |
| Clark, N. C. | Faddis | Hook | McClellan |
| Clason | Farley | Houston | McCormack |
| Claypool | Ferguson | Hull | McFarlane |
| Cochran | Fish | Hunter | McGehee |
| Coffee, Nebr. | Fitzgerald | Imhoff | McGranery |
| Colden | Fitzpatrick | Izac | McGrath |
| Cole, N. Y. | Flannagan | Jacobsen | McKeough |
| Connery | Flannery | Jarman | McLaughlin |
| Cooley | Fleger | Jenckes, Ind. | McReynolds |
| Cooper | Fletcher | Jenks, N. H. | McSweeney |

| | | | |
|------------------|----------------|-----------------|-----------------|
| Maas | O'Neill, N. J. | Rutherford | Teigan |
| Magnuson | O'Toole | Ryan | Terry |
| Mahon, S. C. | Owen | Sacks | Thom |
| Mahon, Tex. | Pace | Sadowski | Thomas, N. J. |
| Maloney | Palmisano | Sanders | Thomas, Tex. |
| Mapes | Parsons | Satterfield | Thomason, Tex. |
| Martin, Colo. | Patman | Sauthoff | Thompson, Ill. |
| Martin, Mass. | Patrick | Schaefer, Ill. | Thurston |
| Massingale | Patterson | Schneider, Wis. | Tolan |
| May | Patton | Schuetz | Towey |
| Mead | Pearson | Schulte | Transue |
| Meeks | Peterson, Fla. | Scott | Treadway |
| Merritt | Peterson, Ga. | Secrest | Turner |
| Mills | Pfeiffer | Shafer, Mich. | Umstead |
| Mitchell, Ill. | Phillips | Shanley | Vincent, B. M. |
| Mitchell, Tenn. | Plumley | Shannon | Vinson, Fred M. |
| Moser, Pa. | Poage | Sheppard | Voorhis |
| Mosier, Ohio | Quinn | Simpson | Wallgren |
| Mott | Rabaut | Sirovich | Walter |
| Murdock, Ariz. | Ramspeck | Smith, Conn. | Wearin |
| Murdock, Utah | Randolph | Smith, Maine | Welch |
| Nelson | Rankin | Smith, Wash. | Wene |
| Nichols | Rayburn | Snyder, Pa. | West |
| Norton | Reece, Tenn. | Somers, N. Y. | White, Idaho |
| O'Brien, Ill. | Rees, Kans. | South | Whittington |
| O'Brien, Mich. | Rich | Sparkman | Wigglesworth |
| O'Connell, Mont. | Richards | Spence | Wilcox |
| O'Connell, R. I. | Rigney | Stack | Williams |
| O'Connor, Mont. | Robertson | Starnes | Withrow |
| O'Connor, N. Y. | Robinson, Utah | Steagall | Wolfenden |
| O'Day | Robison, Ky. | Stefan | Wolverton |
| O'Leary | Rockefeller | Sullivan | Wood |
| Oliver | Rogers, Mass. | Utuphin | Woodruff |
| O'Malley | Rogers, Okla. | Swope | Woodrum |
| O'Neal, Ky. | Romjue | Tarver | Zimmerman |

NAYS—23

| | | | |
|---------------|----------------|---------------|-------------|
| Ashbrook | Dondero | Hope | Reed, Ill. |
| Bates | Engel | Jenkins, Ohio | Reed, N. Y. |
| Brewster | Ford, Miss. | Lambertson | Short |
| Carlson | Gifford | Luce | Taber |
| Case, S. Dak. | Guyer | Michener | Wolcott |
| Church | Hancock, N. Y. | Polk | |

ANSWERED "PRESENT"—5

| | | | |
|----------|----------|-------|-------------|
| Crawford | Maverick | Snell | White, Ohio |
| Holmes | | | |

NOT VOTING—78

| | | | |
|----------------|-------------|--------------|---------------|
| Allen, Del. | Cole, Md. | Hoffman | Reilly |
| Allen, Ill. | Collins | Honeyman | Sabath |
| Allen, La. | Colmer | Jarrett | Scruggam |
| Andrews | Costello | Jones | Seger |
| Arends | Cox | Kennedy, Md. | Smith, Va. |
| Bacon | Crowe | Kleberg | Smith, W. Va. |
| Barton | Crowther | Kniffin | Summers, Tex. |
| Bernard | Cummings | Kopplemann | Sweeney |
| Binderup | Disney | Lamneck | Taylor, Colo. |
| Boren | Douglas | Lea | Taylor, S. C. |
| Boylan, N. Y. | Doxey | McGroarty | Taylor, Tenn. |
| Brooks | Drewry, Va. | McLean | Tinkham |
| Buckley, Minn. | Fernandez | McMillan | Tobey |
| Buckley, N. Y. | Fulmer | Mansfield | Tobin, Ga. |
| Burch | Gearhart | Mason | Wadsworth |
| Caldwell | Gilchrist | Mouton | Warren |
| Carter | Gray, Pa. | Pettengill | Weaver |
| Champion | Green | Pierce | Wheelchel |
| Cluett | Greever | Powers | |
| Coffee, Wash. | Hartley | Ramsay | |

The Clerk announced the following pairs:
On this vote:

Mr. Warren (for) with Mr. Snell (against).
Mr. Maverick (for) with Mr. Kleberg (against).
Mr. Caldwell (for) with Mr. Crawford (against).
Mr. Bacon (for) with Mr. Holmes (against).
Mr. Tobey (for) with Mr. White of Ohio (against).

General pairs:

Mr. Mansfield with Mr. Crowther.
Mr. Lamneck with Mr. Mason.
Mr. Reilly with Mr. Andrews.
Mr. Allen of Louisiana with Mr. Carter.
Mr. Boren with Mr. Wadsworth.
Mr. Mouton with Mr. Gearhart.
Mr. Coffee of Washington with Mr. Seger.
Mr. Disney with Mr. Barton.
Mr. Buckley of New York with Mr. Hartley.
Mr. Taylor of South Carolina with Mr. Tinkham.
Mr. Drewry of Virginia with Mr. Allen of Illinois.
Mr. Kopplemann with Mr. Douglas.
Mr. Sweeney with Mr. Jarrett.
Mr. Collins with Mr. Taylor of Tennessee.
Mr. Allen of Delaware with Mr. Arends.
Mr. Vinson of Georgia with Mr. Gilchrist.
Mr. Greever with Mr. Powers.
Mr. Cox with Mr. Hoffman.
Mr. Taylor of Colorado with Mr. McLean.
Mr. Weaver with Mr. Cluett.
Mr. Jones with Mr. Bernard.
Mr. Smith of Virginia with Mr. Buckler of Minnesota.
Mr. Burch with Mr. Kniffin.
Mr. McMillan with Mr. Kennedy of Maryland.
Mr. Summers of Texas with Mr. Green.

Mr. Pettengill with Mr. Lea.
 Mr. Boylan of New York with Mr. Scrugham.
 Mr. Costello with Mr. Wheelchel.
 Mrs. Honeyman with Mr. Fulmer.
 Mr. Ramsay with Mr. Brooks.
 Mr. Cole of Maryland with Mr. Smith of West Virginia.
 Mr. Pierce with Mr. Doxey.
 Mr. Binderup with Mr. Colmer.
 Mr. Gray of Pennsylvania with Mr. Cummings.

Mr. SHAFER of Michigan changed his vote from "nay" to "yea."

Mr. SNELL. Mr. Speaker, I voted "present" because I have a general pair with the gentleman from North Carolina [Mr. WARREN].

Mr. MAVERICK. Mr. Speaker, inasmuch as I am paired with the gentleman from Texas [Mr. KLEBERG], I withdraw my vote of "yea" and vote "present."

Mr. HOLMES. Mr. Speaker, I have a general pair with the gentleman from New York [Mr. BACON]. If he were present he would vote "yea." I therefore withdraw my vote and answer "present."

Mr. CRAWFORD. Mr. Speaker, I have a general pair with the gentleman from Florida [Mr. CALDWELL]. I wish to withdraw my vote of "nay" and answer "present."

Mr. WHITE of Ohio. Mr. Speaker, I have a general pair. I therefore withdraw my vote and answer "present."

The result of the vote was announced as above recorded. A motion to reconsider was laid on the table.

LEAVE OF ABSENCE

By unanimous consent leave of absence was granted as follows:

To Mr. HENNINGS (at the request of Mr. ROMJUE), indefinitely, on account of illness.

To Mrs. HONEYMAN, for 3 days, on account of important business.

EXTENSION OF REMARKS

Mr. O'TOOLE asked and was given permission to extend his own remarks in the RECORD.

Mr. KELLER. Mr. Speaker, I ask unanimous consent to extend in the RECORD the remarks I made yesterday.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that the gentlewoman from Massachusetts [Mrs. ROGERS] may extend her own remarks in the RECORD by printing a radio address delivered this afternoon.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. LUCE. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD and include therein an explanatory statement.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent that all Members who spoke on the bill which has just been passed may have 3 legislative days in which to revise and extend their own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

Mr. RANKIN. Mr. Speaker, reserving the right to object, why not make the request apply to all Members?

Mr. WOLCOTT. Mr. Speaker, I modify the request and ask that all Members may have 3 legislative days in which to extend their own remarks in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. KNUTSON. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. KNUTSON. When do the 3 days begin—Monday?

The SPEAKER. The 3 days begin now.

Mr. KNUTSON. Not Sunday?

The SPEAKER. Three days after the adjournment of today.

Mr. KNUTSON. Three legislative days? Mr. Speaker, I ask unanimous consent to amend the request by making it 3 legislative days, Monday, Tuesday, and Wednesday.

The SPEAKER. That is contemplated in the request.

Mr. KNUTSON. I thought the Chair said it would begin now.

The SPEAKER. Today is the first day. The gentleman will remember the first day is included, and possibly the last day excluded, in any legal interpretation.

Mr. KNUTSON. I withdraw my request, Mr. Speaker.

Mr. CONNERY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting a statement from the Boston Globe of November 28, 1937, by Mr. James Morgan, one of my constituents.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. MAVERICK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

DEFEAT OF WAGES AND HOURS—BULL RUN OF DEMOCRACY

Mr. MAVERICK. Mr. Speaker, our special session is ending; a regular session will begin soon; somehow I think of the Battle of Bull Run. There was great confusion then, and there is great confusion now, which I will try to analyze in the light of historical fact.

When I was a boy, it was explained to me that Bull Run was a creek, and the Yankees ran by the tens of thousands; but I could never get the creek in my mind, and still in my child's eye see my Confederate people hot after fleeing Yankees. In this picture is a scene of roaring and snorting bulls, and the sound of rattling equipment of running Yankees.

Indeed, the defeat of the wage and hour bill is the defeat which will be known as the Bull Run of the Democratic Party. People are running in every direction.

But I do not intend to be facetious, although our performance and carrying out of pledges has been a dreadful mockery. It is stated in the press that the southern Congressmen defeated the bill. That was only one of the causes, some big labor leaders and corporate interests combining to do their part; but the vote and influence of the southern delegation was a major cause.

THE CONFEDERATE CONSTITUTION; SAME QUESTIONS STILL CURSE SOUTH

In such a case, a study of the South, past and present, is of value; if we look at its questions realistically, something can be learned by which problems can be met. In this connection, I have been studying the economic, social, political, and racial history of the South. Among other things I have done some research on the Constitution of the Confederate States of America. It is a very important document, not only of the South, because it will throw much light on our social, economic, political, and constitutional problems now.

Written on its face are several elements of importance: Plantation owners, the protective tariff, Negroes, and poor whites. The problems are all practically the same today.

That is the reason the problems of the South are still so serious—probably as serious as at the time of the the Civil War. The question, however, is the method. For in any argument over the South, the two final flies in the ointment appear; cotton and the Negro.

The Constitution of the Confederate States of America was an ably written document—so able, in fact, that it appears from its wording that our Supreme Court has gotten mixed on its Constitutions. For that document had as its purpose the creation of a very weak National Government with the institution of slavery in individual hands, under the guise of State's rights—just as the Supreme Court has weakened the Government of the United States and has by its

decisions caused financial and industrial power to be concentrated in a few hands under the new giant corporations, under the guise of States' rights.

Likewise our Supreme Court has killed the general-welfare clause; it was purposely left out of the Confederate Constitution to make it plain that the Government was not created for the general welfare. What took the Confederates 4 years of sacrifice and bloodshed, followed by failure, has been accomplished by the Supreme Court with the use of a taboo by writing an opinion on a piece of paper.

I have included all the essential portions of this document, with comparisons. The document itself is a mirror of the economic questions at the time, which had cursed the South for many years before.

It is factually true that the North then held, and still tightly holds, the South in its economic grip. Indeed, the South was then, and still is, a colony, being bled by a small group in the East—the same group that exploits its own people in the East, and every other part of the Nation.

True also is the fact that the South still suffers from the aftermath of the Civil War, of eroded soil, and heavy white and Negro populations living in poverty. Worse, we of Texas and the South do not own this wasted soil, nor the oil, gas, and coal underneath—like the Irish of long ago, we suffer from absentee ownership.

NORTHERNERS SOLD US SLAVES AND PREACHED ABOLITION

But going back, even before 1776—over a hundred and sixty years ago—slavery already damned the South. Northern shippers sold us the slaves, while from the same North came the shouts and hosannas of the abolitionists. Northern manufacturers sold us their goods protected by tariffs; they forced us to sell in a competitive world market which was far from protected.

There was the nullification controversy begun by Calhoun and ended by President Jackson. But the problems were still there, and slavery was becoming a fixed institution, an obsession to both North and South. Then came, in 1857, the Dred Scott case; a southern-controlled Supreme Court sought to fix human slavery on the Union forever.

DRUMS OF DEATH; YOUNG MEN'S BLOOD ON FIELD OF BATTLE AND OLD MEN'S INK ON PAGES OF PAPER

The forces were too great to stop war. Bugles cried out and drums rolled; while young men marched to the gory cadence of death, older men, North and South, neither in Blue nor Gray, but in black frock coats, made speeches and wrote wise sayings on white paper. They used black ink, but the young men used red blood.

So the Confederate Constitution was written. It sought to fix many practices that could not be fixed. Also, it showed the overconfidence of Americans and the blindness of some of the Confederate leaders, that human forces can be chained by writing rigid slaveries of any kind on paper. It was all doomed to failure.

So I have made an analytical study of the two Constitutions, with explanations and comments in their application then and today. The Confederate follows the United States Constitution in form, but there are essential and fundamental differences. These differences are quite interesting and important from a viewpoint of modern-day problems.

Where fundamental differences occur in the two, and comparisons and continuity of matter seem necessary, I have placed the corresponding provisions in parallel columns, the differences being shown in italics. Where the Constitutions are exactly the same (except only for formal differences such as the use of "Confederate" instead of the United States, and unimportant words), such portions are omitted entirely.

Omissions can be found by referring to similar articles in the Constitution of the United States. But the presentation here offered is in sequence, and presents the essential portions of the Confederate Constitution.

THE TWO CONSTITUTIONS COMPARED

In order to show the first part of each Constitution, I here present in parallel columns the preamble of each, followed

by article I, all of section 1, and the first paragraph of section 2:

Preamble United States

We the People of the United States, in order to form a more perfect Union, establish Justice, insure domestic Tranquillity, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this CONSTITUTION for the United States of America.

Preamble Confederate

We, the People of the Confederate States, each State acting in its sovereign and independent character, in order to form a permanent Federal Government, establish justice, insure domestic tranquillity, and secure the blessings of liberty to ourselves and our posterity—invoking the favor and guidance of Almighty God—do ordain and establish this Constitution for the Confederate States of America.

PREAMBLES DISCUSSED—SUPREME COURT EXCHANGES THEM

I suggest that the two above preambles be read carefully. Note the differences. The United States Constitution is by "We the People" with no comma after "we"; the Confederate is by "We, the People," and sets out that each State is acting in its sovereign and independent character. The Constitution of the United States speaks of the people of the United States. How this happened we need not now inquire, but these are the words. On the other hand, the Confederacy clearly was a league of independent States or nations. Also the United States Constitution was to "form a more perfect Union," and the Confederate was to "form a permanent Federal Government."

There is another very pronounced difference. The United States Constitution mentions above as a purpose "the general welfare," the Confederate purposely omits the words. Below, section 8, article I, where the specific powers of Congress are shown, it is seen that in the United States Constitution the power of the general warfare is specifically written in, but omitted entirely in the Confederate.

This is one power written out of our Constitution by the Supreme Court of the United States, and which I have mentioned above.

A few of the procedural parts of the Confederate document are probably very good, such as having the cabinet on the floor. But the whole philosophy of the Confederate document was against the idea of a more perfect union, the rights of the people as in the mass, and their general welfare.

In the most objectionably reactionary features of the Confederate Constitution has the Supreme Court given its strongest approbation and support. This tendency of their decisions, not warranted by the plain terms of the Constitution of the United States of America, has been in the direction of recognizing the Government of the United States in various "divisions of powers," but in effect denying the power to any governmental group at all.

In fact, the decisions of the Supreme Court have been as if it were following not only the philosophy, but the exact wording of the Confederate Constitution. Principally, the Supreme Court has departed from the United States Constitution, (which can be realized by comparing the two above tables), by indicating the Court would have us believe:

First. That a law of Congress, enacted under the United States Constitution is unconstitutional, because it violates the rights of "each State acting in its sovereign and independent character," which is not warranted by the United States Constitution, but only the Confederate Constitution;

Second. That the American Constitution did not really mean it when it provided in plain words in the preamble that the reason for the adoption of the Constitution was to provide for the general welfare, further providing it again in the enumerated legislative powers of the Congress. This action of the Court is in actual fact striking words out of the Constitution of the United States, just as such words were purposely omitted from the Constitution of the Confederate States of America.

Since article I, section 8, contains the general welfare clause, I will discuss it again at that point.

J. L. M. Curry, one of the authors of the Confederate Constitution and a member of the Confederate Congress, indicates in Civil History of the Confederate States that any such thing as a clause providing for the general welfare is the evil of evils, and the basest corruption, especially in reference to the taxing power. He says: "Subsidies, bounties * * * labor troubles, communism, anarchy, are all, more or less, traceable to the collection and disbursement of taxes by the General Government." It seems to have been generally admitted by the Confederate statesmen and most of the lawyers from over the country since, that the general welfare clause meant what it said it did, but they didn't like it. So the Confederates simply scratched it out of their constitution, and went to war; and the Supreme Court scratched it out of the United States Constitution.

I continue in sequence:

United States

ARTICLE I

SECTION 1. All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

Note use of word "delegated" instead of "granted." In this the Confederate fathers wanted it well understood that the Confederate States of America was only an agent, and not sovereign. For all practical purposes, it meant the Confederate States of America was no government at all. By the Confederate Constitution the concept of a nation was admittedly repudiated.

United States

SECTION 2. The House of Representatives shall be composed of Members chosen every second Year by the People of the several States, and the Electors in each State shall have the Qualifications requisite for Electors of the most numerous Branch of the State Legislature.

IMPEACHMENT OF FEDERAL JUDICIARY BY STATE LEGISLATURES

The rest of section 2 is omitted, except the last paragraph, which is a very important difference. The two columns are shown as follows:

United States

The House of Representatives shall choose their Speaker and other officers; and shall have the sole Power of Impeachment.

Confederate

ARTICLE I

SECTION 1. All legislative powers herein delegated shall be vested in a Congress of the Confederate States, which shall consist of a Senate and House of Representatives.

Confederate

SECTION 2. The House of Representatives shall be composed of members chosen every second year by the people of the several States; and the electors in each State shall be citizens of the Confederate States, and have the qualifications requisite for electors of the most numerous branch of the State Legislature; but no person of foreign birth, not a citizen of the Confederate States, shall be allowed to vote for any officer, civil or political, State or Federal.

Confederate

The House of Representatives shall choose their Speaker and other officers; and shall have the sole power of impeachment, except that any judicial or other Federal officer, resident and acting solely within the limits of any State, may be impeached by a vote of two thirds of both branches of the Legislature thereof.

It is to be noted, however, that "impeachment" is not trial or conviction but what in effect is indictment by the State legislature. The impeached officer would be tried before the Senate of the Confederate States. I can find no record of impeachments.

FURTHER PORTIONS OF CONFEDERATE CONSTITUTION

I now continue with further portions of the Confederate Constitution out of article I, omitting similar comparisons to the United States Constitution as unnecessary:

SECTION 6

* * * No Senator or Representative shall, during the time for which he was elected, be appointed to any civil office under the authority of the Confederate States, which shall have been created, or the emoluments whereof shall have been increased during such time; and no person holding any office under the Confederate States shall be a member of either House during his continuance in office. But Congress may, by law, grant to the principal officer in each of the Executive Departments a seat upon the floor of

either House, with the privilege of discussing any measures appertaining to his department. (Cf. Const. U. S., art. I, sec. 6, par. 2.)

In this provision of the Confederate Constitution I think there is much merit. I have introduced a rule to permit members of the Cabinet on the floor of Congress. It is constitutional, though not mentioned in our Constitution, because Congress can permit anyone they please on the floor.

Jefferson Davis says, without comment, that no law was ever passed to carry this out. However, J. L. M. Curry, in the Civil History of the Confederate States, says that though this legislation to put it into effect was not enacted, "the restricted privilege worked well while it lasted, and the occasional appearance of cabinet officers on the floor of Congress and participation in debates worked beneficially and showed the importance of enlarging the privilege."

SECTION 7

2. * * * The President may approve any appropriation and disapprove any other appropriation in the same bill. In such case he shall, in signing the bill, designate the appropriations disapproved; and shall return a copy of such appropriations, with his objections, to the House in which the bill shall have originated; and the same proceedings shall then be had as in case of other bills disapproved by the President. (Cf. Const. U. S., art. I, sec. 7, par. 2.)

A bill is now before Congress to give the President this right of single item veto. Many approve of it, in order to prevent riders or extra appropriations not considered as a part of the original, or within the purpose of a particular bill.

Some of our best authorities believe the present bill is constitutional, among them Hon. HATTON SUMNERS, of Texas. However, notwithstanding such high authority, I do not believe the bill, giving the President such right of single-item veto is constitutional.

From a governmental viewpoint, it would vest the President with tremendous power. He could in effect abolish bureaus, punish political enemies, and knock out Civil Service. The argument is made that the President could stop the riders and capricious appropriations; but no one seems to have realized that the President could ride into a legislative program or appropriation and tear it up, and that he could act capriciously, too.

SECTION 8, PARAGRAPH 1, THE GENERAL WELFARE

I now offer, in parallel columns, section 8 of article I, first paragraph, which gives the most important powers of Congress. Note them carefully, and the comment underneath:

United States

SECTION 8. The Congress shall have Power—

To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States;

Confederate

SECTION 8. The Congress shall have power—

To lay and collect taxes, duties, impost, and excises, for revenue necessary to pay the debts, provide for the common defense, and carry on the Government of the Confederate States; but no bounties shall be granted from the Treasury; nor shall any duties or taxes on importations from foreign nations be laid to promote or foster any branch of industry; and all duties, impost, and excises shall be uniform throughout the Confederate States:

In the discussion of the preambles, I pointed out the difference in the philosophies of the two Constitutions. And I think it necessary for us to understand the real historical reasons for secession, and why the Confederates changed their constitution so fundamentally.

Cotton and black slaves—"Preserve the Constitution!"

The real reasons were two: Cotton and black slaves. The legal reason, quite honestly claimed, was that the Southern States had a right to secede—that the Southern States were really trying "to preserve the Constitution."

To prove this, the Confederate fathers said they were following word for word, with certain additions and substitutions for clarification, the Constitution of the United States.

But they saw to it that their constitution was entirely different. In fact, as I have already pointed out there were great differences—and the two Constitutions were as far apart as the sun and the earth.

One fair comparison is that the Confederate Constitution attempted to fasten slavery on the South forever, by breaking down the national power in the people, and vesting it in localities; and since that the Supreme Court did the same by causing the break-down of national power of the people in declaring acts of Congress unconstitutional as invading "States' rights" and "due process of law." More, the Supreme Court has denied the right of States and localities themselves the right to protect the interests of the people against absentee owners, making it possible to hold the Southern people—and people in all parts of the country—in low-wage slavery.

A. A. A. case—Mr. Roberts follows the Confederate Constitution

Two cases of the last three years are interesting, having in mind the above general welfare clause, section 8, article I, of the Constitution of the United States. In the case concerning the Agricultural Adjustment Act, enacted by Congress for the benefit of agriculture, Mr. Justice Roberts virtually rewrote the wording of the United States Constitution. Although admitting the general welfare, he erased it from our Constitution on the ground that it should be shown all over again specifically; and again without actually saying so, held the payments to farmers as bounties. ("Bounties" are not mentioned in the United States Constitution, but are prohibited in the Confederate.)

Thus Mr. Roberts can only be said to have been following the Confederate Constitution, or rewriting the United States Constitution, which he had no right to do. Mr. Roberts also followed the preamble of the Confederate Constitution, as to "sovereign and independent states," although not mentioned in the American Constitution, thereby imposing what is merely his own viewpoint.

His decision could only have been arrived at, as his colleague, Mr. Justice Stone said, by writing in his economic prejudices. By the use of words and phrases nowhere found in the Constitution of the United States, such as reserved powers, vested rights, and the addition of the private ideas of the justices, the right of the people to have representative government, State or national, is broken down.

Mr. Justice Roberts Reverses Result of Battle of Appomattox

The Agricultural Adjustment Act decision, written so loosely by Mr. Roberts, reversed the result of the Battle of Appomattox. But in doing so, he did not return the sword to the noble and kindly General Lee. Instead he handed the sword of government to General Anarchy and to the great corporations and economic empires, to cut down or rule as they please. For in breaking down the Federal law in "powers not delegated"—but actually upon his prejudices—he also left the great national problems without the benefit of any other government, local or State, for no such power was "reserved to the States."

Indeed Mr. Roberts and the majority of the Court rediscovered the worst of the "lost cause" and put it in operation; and in so doing they made of the general welfare clause the "lost clause" of the American Constitution.

Decisions create voids where there is no government

Another case of importance was the Guffey Coal case. Here again the Supreme Court has denied the right of Congress to enact laws which, in the name of ordinary common sense, concern the general welfare and affect the Nation. The coal business, interstate in character, was held a local affair, and in violation of rights of States, though the States involved, some six or seven, asked that the Guffey Coal Act be held constitutional. Here again the citizen was left without any protection, just as the slave and the poor white were under the Confederate Constitution.

To get around these very obvious truths, we are told the Supreme Court is protecting us from the horrors of a somehow wickedly centralized form of government. But the

truth is that the effect of many decisions is to create voids where neither State nor National Government can pursue its function and duty of governing.

Protective Tariff Prohibited in Confederate

The next to last sentence in the Confederate clause, specifically prohibited, also, a protective tariff. This had been the curse of the South. The protective tariff took millions upon millions of dollars of wealth out of the South year after year, and the South was forced to suffer this discrimination. So the Confederate leaders decided the new Confederate States of America should be an agricultural region forever, and to have free trade by the terms of the Constitution itself.

The power to enact a protective tariff in the United States Constitution had been tested in the courts. Alexander Hamilton had said in 1791, while Secretary of the Treasury, in his "Report on Manufactures" that industry should receive protection and bounties—and then he said that the only way to equalize the situation was to also pay bounties to the farmers.

Moreover, the general welfare clause was not doubted, and in the same report on manufactures, he contended for the general welfare power as follows:

"* * * to the discretion of the National Legislature to pronounce upon the objects which concern the *general welfare*, and for which, under that description, an appropriation of money is requisite and proper. And there seems to be no room for doubt that whatever concerns the general interest of LEARNING, of AGRICULTURE, of MANUFACTURES, and of COMMERCE, are within the sphere of the National Councils, as far as regards an application of money.

These are mentioned to show that there was never any doubt about the powers of the Federal Government in legislating for the general welfare; and because there was no doubt about it, the Confederate Constitution not only omitted it, but provided further that there should be no bounties to industry, and no protective tariff.

As the situation now stands, bounties are paid to industry through the protective tariff. At the same time the Supreme Court says in the A. A. A. case that farmers, whose life concerns everything that is basically the general welfare of the people of the United States, are not entitled to any protection of the law, State or National.

Continuing:

INTERNAL IMPROVEMENTS FORBIDDEN—KING COTTON

3. To regulate commerce with foreign nations, and among the several States, and with the Indian tribes; but neither this, nor any other clause contained in the Constitution, shall ever be construed to delegate the power to Congress to appropriate money for any internal improvement intended to facilitate commerce; except for the purpose of furnishing lights, beacons, and buoys, and other aid to navigation upon the coasts, and the improvement of harbors and the removing of obstructions in river navigation, in all which cases, such duties shall be laid on the navigation facilitated thereby, as may be necessary to pay the costs and expenses thereof (Cf. Const. U. S., art. I, sec. 8, par. 3):

The South opposed "internal improvements to facilitate commerce." A lot was said by Southern leaders about State rights in this connection too. But the real reason was that with a provision preventing internal improvements the South was to be kept forever agricultural and with black slavery.

Writers proclaimed Cotton is King; in that way the South would keep its independence and its peculiar institution. The futility of the hope is now apparent; then it was not.

The idea of assessing duties for navigation was the toll idea, toll roads and bridges then being prevalent in the South. By in effect having tolls for navigation, the theory was that it would cost the government nothing, keep industry out, and maintain King Cotton on his throne. (Also, State duties or tolls are mentioned in section 10 of this article, below, which see.)

4. To establish uniform laws of naturalization, and uniform laws on the subject of bankruptcies, throughout the Confederate States; but no law of Congress shall discharge any debt contracted before the passage of the same (Cf. Const. U. S., art. I, sec. 8, par. 4):

* * * * *

PROVISIONS AS TO POST-OFFICE SYSTEM

7. To establish post-offices and post-routes; but the expenses of the Post-Office Department, after the first day of March in the year of our Lord eighteen hundred and sixty-three, shall be paid out of its own revenue (Cf. Const. U. S., art. I, sec. 8, par. 7):

First, it will be noted that no provisions were made for post roads, but only for establishing "routes." Since it was definitely the intention of the Government never to have "internal improvements;" certainly without roads being built, many sections would not be covered by postal services.

Also, it is noted, expenses were to be paid out of its own revenue. The requirement to be self-supporting, though obviously a proper ideal for any department of government, would have made its operation impracticable in a permanent government, and did even temporarily. Curtailment of service had to be made in unprofitable areas.

Also, looking at it from a governmental viewpoint, it might have led practically to the defeat of the use of the mails by the ordinary people by jacking up the costs so high that they could not use it, either for personal mail or for the reception of newspapers and propaganda. It could likewise have been used as a very effective measure to destroy the freedom of speech and press.

The strict regulations were also announced because Congressmen used the franking privilege. Of course, such a cost was then, and is now, infinitesimal in comparison to other costs. As far as franking by Congressmen is concerned, I believe that, notwithstanding the tiresomeness of some of our franked matter, it is a good practice and worth the money. Frequently newspapers do not cover a speech at all; sometimes it is distorted. This has happened to me, and as a result I have franked out on a particular speech as many as 10,000, paying personally for the printed matter.

SLAVERY; APPROPRIATIONS; BILL OF RIGHTS

Section 9 of article I is shown from both Constitutions, because the difference is quite essential:

United States

SECTION 9. The Migration or Importation of such Persons as any of the States now existing shall think proper to admit, shall not be prohibited by the Congress prior to the Year one thousand eight hundred and eight, but a Tax or Duty may be imposed on such Importation, not exceeding ten dollars for each Person.

Confederate

SECTION 9. The importation of negroes of the African race, from any foreign country other than the slave-holding States or Territories of the United States of America, is hereby forbidden; and Congress is required to pass such laws as shall effectively prevent the same.

Congress shall also have power to prohibit the introduction of slaves from any State not a member of, or Territory not belonging to, this Confederacy.

Throughout the Confederate Constitution one sees constant repetition of the word "slave" in various forms. It was determined by the great slave owners that the institution should exist forever. In fact, Alexander H. Stephens said, March 21, 1861, in Savannah, Ga.:

The new constitution has put at rest forever all the agitating questions relating to our peculiar institution—African slavery as it exists amongst us—the proper status in our form of civilization.

To this he added that the Confederate Constitution was based upon the opposite idea of the Constitution of the United States, and that it was all in strict conformity to nature and "the ordination of Providence."

This reference to Providence was characteristic. Southern literature literally teems with speeches and sermons and whole books saying slavery was in accordance with the Word of God and the Bible. I have noticed that when an institution is indefensible, the offending party generally calls on God and the Constitution, today as yesterday. Virtue is claimed for whole nations, as our jittery dictators do today. Curry, whom I have already mentioned, says in his Civil History that "the southern people were an unusually religious people, free from heresies and 'isms' and trusting implicitly in an inspired Bible and in the religion of Christ." I do not

doubt this, but I see no more love of God in one section of the country than the other.

President Davis asks for black troops, Lee advocates emancipation

In spite of all this, slavery began to break down even in the Confederacy itself before the end of the war. It was widely proposed to enlist Negro soldiers by promise of emancipation. President Jefferson Davis proposed the idea in a note to Congress; Lee favored the idea. Negro companies were raised. Lee favored a "well digested and gradual plan of general emancipation." So did many other good and able southerners, and it is certain the poor whites saw no sense in fighting for Negro slavery and the benefit of the rich planters.

There is every indication that even had the Confederacy won, slavery would not have lasted. The question at that time was the futile hope of saving the institution by putting it in a constitution; and the problem of the Negro is still here.

I think it important to note for historical accuracy that the most selfish, and the least enlightened, often get control of governments, and yell the loudest. At least 75 percent of the white Southerners did not own slaves. But the extremists got control by yelling the loudest and being the most selfish; they brought the South to war and put their extreme ideas in the constitution.

Today the situation is somewhat the same. Reactionaries bellow the loudest and the newspapers groan about the Constitution. But the average man no more favors power concentrated in the hands of a few industrialists coupled with insecurity of jobs, than he favored all the land and power being put in the hands of a few plantation owners, coupled with chattel slavery.

NEGATION OF NATIONALISM—DUTIES LAID BY STATES

I continue with differing portions of section 9, article I:

United States

No Bill of Attainder or ex post facto Law shall be passed.

No Tax or Duty shall be laid on Articles exported from any State.

No Preference shall be given by any Regulation of Commerce or Revenue to the Ports of one State over those of another: nor shall Vessels bound to, or from, one State, be obliged to enter, clear, or pay Duties in another.

Confederate

No bill of attainder, *ex post facto* law, or law denying or impairing the right of property in negro slaves shall be passed.

No tax or duty shall be laid on articles exported from any State except by a vote of two thirds of both Houses.

No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another.

It will be noted above that the Confederate Constitution omitted the provision that no duty could be charged by one State as against another. In section 10, paragraph 3, article I, below, in the Confederate Constitution, it is shown that duties might be charged by States for the purpose of paying for the cost of navigation; it can be readily seen that by the use of this provision, and the authority of the State, each State would naturally have asserted the powers of an independent nation.

This is only another evidence of the complete negation of nationalism, as expressed in the Confederate Constitution against the concept of a single nation as shown in the United States Constitution.

CONFEDERATE APPROPRIATIONS DIFFICULT; DETAILS; OBJECTIONS

Concerning appropriations, and continuing, note the two paragraphs exactly alike, but the additional one of the Confederacy:

United States

No Money shall be drawn from the Treasury, but in consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.

Confederate

No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.

Congress shall appropriate no money from the Treasury, except by a vote of two thirds of

United States—Continued

Confederate—Continued
both Houses, taken by yeas and nays, unless it be asked and estimated for by some one of the heads of departments, and submitted to Congress by the President; or for the purpose of paying its own expenses and contingencies; or for the payment of claims against the Confederate States, the justice of which shall have been judicially declared by a tribunal for the investigation of claims against the Government, which it is hereby made the duty of Congress to establish.

All bills appropriating money shall specify, in Federal currency, the exact amount of each appropriation, and the purposes for which it is made; and Congress shall grant no extra compensation to any public contractor, officer, agent, or servant, after such contract shall have been made or such service rendered.

The above additional provision in the Confederate Constitution was put there to make appropriations difficult. It killed the idea prevalent in all Anglo-Saxon countries for centuries that the House of Commons or lower house should originate appropriations. In this case it was vested in the chief executive unless a two-thirds vote was obtained.

There follows, in section 9, article I, of the Confederate Constitution, a bill of rights, guaranteeing the right of assembly, freedom of speech and press, as in the United States Constitution. It is to be noted the Confederate Constitution contained a bill of rights as an original part instead of waiting until afterward as in the United States Constitution. Naturally, by the provision of slavery, no slave had any rights of any kind, any more than an animal.

The Confederate Constitution has an additional paragraph of section 9, article I, and it is as follows:

20. Every law, or resolution having the force of law, shall relate to but one subject, and that shall be expressed in the title.

This provision of the Confederate Constitution was also in reference to legislative riders. The idea expressed in the constitution is undoubtedly a good one, but it would have been a fruitful source of declaring laws unconstitutional by the supreme court; for instance, social security, which necessarily deals with many subjects, could have been struck down on that basis. It would have been easy for any court to have found that the law in question related to more than "one subject."

I continue to quote the Confederate Constitution:

SECTION 10

3. No State shall, without the consent of Congress, lay any duty on tonnage, except on sea-going vessels for the improvement of its rivers and harbors navigated by the said vessels; but such duties shall not conflict with any treaties of the Confederate States with foreign nations. And any surplus revenue, thus derived, shall, after making such improvement, be paid into the common treasury; nor shall any State keep troops or ships-of-war in time of peace, enter into any agreement or compact with another State, or with a foreign power, or engage in war, unless actually invaded, or in such imminent danger as will not admit of delay. But when any river divides or flows through two or more States, they may enter into compacts with each other to improve the navigation thereof (Cf. Const. U. S., art. I, sec. 10, par. 3).

This is commented on already. However, if States were to be judges of their own actions, this gave them enormous power—the power to be practically independent nations. No doubt, also the State compacts would have been a source of constant trouble.

TERMS OF OFFICE FOR PRESIDENT AND VICE PRESIDENT

The beginnings of article II, section 1, of the two Constitutions show important differences, and are as follows:

United States

ARTICLE II

SECTION 1. The executive Power shall be vested in a President of the United States of America. He shall hold his Office during the Term of four Years, and, together with the Vice President, chosen for the same Term, be elected, as follows:

The purpose of this was to make the president independent of politics by a longer single term. The spoils system was debated at the time and the fathers of the Confederate Constitution said they desired a good civil service, with patronage and spoils out of it, and also that the president would not have the idea of running twice, but would give good service for 6 years.

This is still being agitated for the United States Constitution, and a bill is generally before Congress for that purpose. Any such bill will not very likely pass.

I now quote from the Confederate Constitution directly, article II, continuing to show major differences:

SECTION 2

3. The principal officer in each of the executive departments, and all persons connected with the diplomatic service, may be removed from office at the pleasure of the President. All other civil officers of the executive departments may be removed at any time by the President, or other appointing power, when their services are unnecessary, or for dishonesty, incapacity, inefficiency, misconduct, or neglect of duty; and when so removed, the removal shall be reported to the Senate, together with the reasons therefor.

4. The President shall have power to fill up all vacancies that may happen during the recess of the Senate, by granting commissions which shall expire at the end of their next session. But no person rejected by the Senate shall be re-appointed to the same office during their ensuing recess. (Cf. Const. U. S., art. II, sec. 1, par. 5.)

ARTICLE III—JUDICIAL; OMITTED BECAUSE SAME

Article III which in both constitutions pertains to the judicial power, is not included, being almost exactly the same, except certain differences as to jurisdiction based on diversity of citizenship, and one or two others. I have often been told that the Confederate Constitution did not provide for a Supreme Court, and I believe that, to a certain extent, is a prevalent misconception.

Although provided by the constitution, no supreme court was ever created by the Confederate Congress. Neither Jefferson Davis nor Alexander Stephens explains this in their books. But there were reasons, one being the court had "centralizing tendencies." The Confederate statesmen would not "tolerate a common arbiter;" indeed, they said, the Supreme Court of the United States had been increasing its power because of the general welfare clause, and no chances were to be taken, although the general welfare was everywhere omitted from the Constitution of the Confederacy.

When war started the courts under the various States merely transformed themselves into courts under the Confederacy. Federal courts were created by the Confederacy, and all the sitting United States judges except one accepted their new jobs. State courts gave a variety of decisions. There was every indication that the Confederacy would have had a serious question of judicial confusion, had they been victorious.

The history of the Confederate courts, however, would take a separate study. It is very interesting, and the probable effects of the Confederate judiciary are important.

Comparisons from articles IV and V of each Constitution are as follows:

United States

ARTICLE IV

SECTION 2. The citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States.

Confederate

ARTICLE IV

SECTION 2. The Citizens of each State shall be entitled to all the privileges and immunities of citizens in the several States,

United States—Continued
ARTICLE IV—continued

This section is of importance, particularly at this time while civil liberties are widely violated—around Ford plants, by Mayor Hague at Jersey City; and recently by deportations, refusals to permit people to enter States and cities.

The Articles of Confederation adopted in 1781 gave right of "ingress and regress" throughout the various States; in the Constitution of the United States such right is not expressly mentioned, although the constitutional right certainly exists. It will be noted that the right of travel and sojourn according to the Confederate Constitution was "with slaves and other property," and the possibilities are the right of travel by poor whites without property would have been interpreted away.

In any event the right of travel and sojourn from place to place in this country is subject to the most brutal violations of civil liberties and nothing is done by the Federal Government. Personally, I think the Government should protect these rights.

I continue:

SLAVE AND WHITE "SERVANT" RUNAWAYS TO BE "DELIVERED UP"
United States Confederate

No Person held to Service or Labour in one State, under the Laws thereof, escaping into another, shall in Consequence of any Law or Regulation therein, be discharged from such Service or Labour, but shall be delivered up on Claim of the Party to whom such Service or Labour may be done.

No slave or other person held to service or labor in any State or Territory of the Confederate States, under the laws thereof, escaping or lawfully carried into another, shall, in consequence of any law or regulation therein, be discharged from such service or labor; but shall be delivered up on claim of the party to whom such slave belongs, or to whom such service or labor may be due.

When the United States Constitution was written it did not expressly recognize or provide for slavery, but the institution was accepted by prohibiting the slave trade after 1808, and by other implications. However, it did contain the above clause, and it applied to both white servants and black slaves. President Andrew Johnson, when a boy, was once a runaway indentured apprentice with a reward for his apprehension. However, by the time of the Civil War, the idea of indentured white servants or apprentices being captured and returned to their masters had become obsolete.

The Confederate clause is noted to be "no slave or other person," and undoubtedly being revived as to slaves, would have been revived as to white persons. No one can tell how this would have been developed, but very probably could have been used as a method of persecution against white people as well as the black slaves.

METHOD OF ADMITTING STATES

United States

SECTION 3. New States may be admitted by the Congress into this Union; but no new State shall be formed or erected within the Jurisdiction of any other State; nor any State be formed by the Junction of two or more States, or Parts of States, without the Consent of the Legislatures of the States concerned as well as of the Congress.

Confederate

SECTION 3. Other States may be admitted into this Confederacy by a vote of two thirds of the whole House of Representatives and two thirds of the Senate, the Senate voting by States; but no new State shall be formed or erected within the jurisdiction of any other State; nor any State be formed by the junction of two or more States, or parts of States, without the consent of the Legislatures of the States concerned, as well as of the Congress.

ACQUISITION OF TERRITORIES; SLAVERY PROVIDED

United States

The Congress shall have power to dispose of and make all needful Rules and Regulations respecting the Territory or other Property belonging to the United States; and nothing in this Constitution shall be so construed as to Prejudice any Claims of the United States, or of any particular State.

Confederate

The Congress shall have power to dispose of and make all needful rules and regulations concerning the property of the Confederate States, including the lands thereof.

The Confederate States may acquire new territory; and Congress shall have power to legislate and provide governments for the inhabitants of all territory belonging to the Confederate States, lying without the limits of the several States; and may permit them, at such times and in such manner as it may by law provide, to form States to be admitted into the Confederacy. In all such territory, the institution of negro slavery, as it now exists in the Confederate States, shall be recognized and protected by Congress and by the territorial government; and the inhabitants of the several Confederate States and Territories shall have the right to take to such Territory any slaves lawfully held by them in any of the States or Territories of the Confederate States.

It will be noted that the above section is additional to the United States Constitution; also, that the Confederate Constitution seeks to force slavery on all territories. The questionable right to obtain new territory, which is not granted under the United States Constitution, is specifically granted in the Confederate. It says "the Confederate States may acquire new territory."

In seeking to fasten slavery on the territories it was an attempt to prevent anything like the Northwest Ordinance, adopted under the Articles of Confederation, which had a bill of rights and which was considered more or less a constitutional document. The Confederate Constitution shows that slavery was to be "recognized and protected by congress," and not only that, but by the territorial governments, and that slaves could be moved about.

This is only another illustration of the extreme rigidity of the document; of the naive belief of human beings that people can be kept in slavery or other substandard condition by the use of a constitution. This strange belief is now more strongly entrenched in the American mind than ever before, but the concept is rapidly changing now.

CONFEDERATE METHOD OF AMENDING CONSTITUTION

United States

ARTICLE V

The Congress, whenever two-thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, on the Application of the Legislatures of two-thirds of the several States, shall call a Convention for proposing Amendments, which, in either Case, shall be valid to all Intents and Purposes, as Part of this Constitution, when ratified by the Legislatures of three-fourths of the several States, or by Conventions in three-fourths thereof, as the one or the other Mode of Ratification may be proposed by the Congress: Provided that no Amendment which may be made prior to the Year one thousand eight hundred and eight shall in any Manner affect the first and

Confederate

ARTICLE V

SECTION 1. Upon the demand of any three States, legally assembled in their several conventions, the Congress shall summon a Convention of all the States, to take into consideration such amendments to the Constitution as the said States shall concur in suggesting at the time when the said demand is made; and should any of the proposed amendments to the Constitution be agreed on by the said Convention—voting by States—and the same be ratified by the Legislatures of two-thirds of the several States, or by conventions in two-thirds thereof—as the one or the other mode of ratification may be proposed by the general Convention—they shall thenceforward form a part of this Con-

United States—Continued

ARTICLE V—Continued

fourth Clauses in the Ninth Section of the first Article; and that no State, without its Consent, shall be deprived of its equal Suffrage in the Senate.

The Confederate article is entirely different. The method of calling a constitutional convention on the demand of any three States seems to have been a good idea. Certainly our Constitution should be more easily amendable.

Here it is shown where the Confederate Constitution made one of its very few evasions. The philosophy of the Confederate Constitution was independence of the States, and the right of secession, and yet its own constitution did not provide for the right of secession. In the constitution they evaded it entirely.

You will note above that people might vote by States; that an amendment could be ratified by the legislatures of two-thirds of the States, or by conventions in two-thirds of the States and that it would then become a part of the constitution. A strange inconsistency is shown there in the fact that even had two-thirds approved, the States would still have the right of secession. In other words, to a certain extent the Confederates were kidding themselves, for certainly there would be no use in taking a two-thirds vote if it was not obligatory on all the other States.

ARTICLES VI AND VII, SAME AS U. S., THEREFORE OMITTED

Articles VI and VII of the Confederate Constitution are formal, providing method of succession from the United States Government to the provisional government of the Confederacy, into the "permanent" government; and two other articles of the bill of rights. They are of no importance, throwing no light on problems of then or today, and are therefore omitted entirely.

SOUTHERN PHILOSOPHY YESTERDAY; INDUSTRIAL TODAY

Mr. Speaker, I have here given a review of the Confederate Constitution and its difference with the Constitution of the United States. Whereas it has occasionally been presented, to my knowledge it has not been presented heretofore in reasonably complete form, with parallel comparisons, and with a statement of the economic and social implications. In making this presentation, I realize that it has not been from the constitutional viewpoint alone, but from the viewpoint of the South and of the Supreme Court of the United States.

Whatever the divisions of subject matter, it is of no value unless it applies to the Nation as a whole. And I am thinking of southern philosophy in relation to the Nation as a whole. Slavery was held by force and by ingenious argument. Let me explain.

One of the most insidious ways of holding slavery was that of appealing to the avarice and hatred of the poor whites. Writing in DeBow's Review, 1860, Editor DeBow said:

The nonslaveholder knows that as soon as his savings will admit he can become a slaveholder, and thus relieve his wife from the necessities of the kitchen and the laundry, and his children from the labors of the field.

Precisely the same appeal is made to poor people today all over the Nation. If the poor man will only join a company union, keep his mouth shut, be docile, and save long enough, he is promised that he can exploit his fellow man. The truth is, such propaganda is low hypocrisy.

My people have told me of the indignities heaped on the poor whites before the Civil War—how even the slaves were allowed to taunt the "poor whites." When a boy, I can remember the Negroes speaking with contempt of the "po' white trash." And the poor whites were taught to hate the Negroes—a system of "checks and balances" based on hate, helping to perpetuate a miserable system.

Confederate—Continued

ARTICLE V—Continued

stitution. But no State shall, without its consent, be deprived of its equal representation in the Senate.

THE SOUTH—A SELF-CONSCIOUS MINORITY

Because of the reasons I have mentioned, the South is a conscious minority. Read "The South as a Conscious Minority," 1789-1861, by Carpenter. That was true before the Civil War, and it is true today. And not only are we a conscious minority, but a self-conscious minority, an irritable, touchy, and ready-to-take-offense minority.

I have read some of the arguments made just before secession. Some of them read like arguments on the minimum-wage bill. Much was said of southern chivalry, honor, justice, and of the North trying to dictate to the South. Around the Civil War a southern Senator said on the floor the northern and southern groups:

Are two hostile bodies on this floor * * * northern people hate * * * and there is no love lost on the part of the South * * *.

Just as some groups swear a minimum-wage bill will ruin the South, so at the beginning of the Civil War an Alabamian protested "the sacrifice of southern interests, the surrender of southern rights." Another, from Virginia, said that "while my little bark keeps afloat it shall bear the flag of the South and of constitutional liberty nailed to her mast."

ROOSEVELT GIVES SOUTH FIRST BIG CHANCE

Now Mr. Speaker, it is true that the South has been almost continuously exploited by certain interests in the North, whatever faults the South may have had. That has kept the South together, as a unit.

But now, since the Democratic Administration under Roosevelt, the South has gotten its first big chance to get in on the national picture with a square deal. If we of the South can have national vision, work with the rest of the Democratic Party, drop our consciousness of minority, let the Solid South, as such, pass out of the picture, then, I say, we can raise our standard of living conditions generally and make life happier for all of us all over the Nation.

We therefore must not only see things nationally, but act nationally. Otherwise, we of the South shall be perpetually at our wailing wall, a sort of Ireland of old, alternating between complaining and throwing bricks.

LAND TENANCY, NEGRO JUSTICE, AGRICULTURAL AND WAGE LEGISLATION

To correct this situation, I can think of some things we can do:

First: Demand the correction of our land problems, including conservation and land tenancy, with help extended to all who need it. In this I know the North and the West will cooperate in enacting a good farm-tenancy bill.

Second: Give the Negroes economic justice. Disease and ignorance are rampant among them. Nobody's conditions can be improved by making conditions worse for them; also, if the purchasing power of the Negro is raised it will benefit business generally.

Third: Drop our feeling of conscious minority, assert our strength, and stand for:

A. Nation-wide, fair agricultural legislation;

B. Nation-wide minimum-wage and maximum-hour legislation.

In this the rest of the Nation must be sympathetic, and realize the problems of the South.

And the Supreme Court—I almost forgot its nine members—the Nation should present them a copy of the Constitution of the United States of America, and ask them to follow it. It is rumored that one of our newest justices has found out the Constitution the Court has been using is the wrong one; it is said he has not screwed up his courage to tell Mr. McReynolds of Tennessee, of whom, it is said, he suspects of already knowing it, and the new member, being a gentleman, has not told Mr. Roberts, a northern Republican, for fear of hurting his feelings.

But I do believe that if the South can get a national viewpoint, and the Court find the right Constitution, a lot of our

troubles can be settled. In fact, it seems to me that our questions cannot be settled at all unless the American people work together in unity for their own general welfare.

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including therein an address delivered by the gentlewoman from Indiana [Mrs. JENCKES] before the Daughters of the American Revolution.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. SHANLEY, Mr. TRANSUE, and Mr. KNUTSON asked and were given permission to extend their own remarks in the RECORD.

Mr. O'NEILL of New Jersey. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein a statement from the Newark Evening News.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. KELLER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. KELLER. Mr. Speaker, I call the attention of the Members present to the fact that yesterday we all enjoyed very much the Florida grapefruit and appreciated it greatly. I also call the attention of the Members to the fact that I have heard a great deal of bragging from the gentlemen from Texas to the effect that their grapefruit was a lot better than that. I believe the Members of this body ought to say we are the best judges of grapefruit in the country and invite them to show us.

CONFEREES ON THE AGRICULTURAL BILL

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that the conferees on the part of the House on the agricultural bill may be allowed to sit during the adjournment of Congress.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

EXTENSION OF REMARKS

Mr. O'CONNOR of New York. Mr. Speaker, after consultation with the majority leader, I ask unanimous consent that all Members may have permission to extend their own remarks in the RECORD up to the last publication of the RECORD for this special session. I do this to save time. I ask that they may extend their own remarks as often as they see fit, and may incorporate casual references to bills, and so forth.

Mr. SNELL. Reserving the right to object, Mr. Speaker, is the Democratic leadership going to put anything in the RECORD in regard to the accomplishments of this session?

Mr. O'CONNOR of New York. Oh, yes; and voluminously.

Mr. SNELL. I wondered if there would be anything I would have to answer. That is all.

Mr. O'CONNOR of New York. The gentleman will have plenty of opportunity on New Year's Day.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

ADJOURNMENT

Mr. RAYBURN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 8 o'clock and 40 minutes p. m.) the House adjourned until Monday, December 20, 1937, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Merchant Marine and Fisheries Committee will hold a public hearing on H. R. 8532, to amend the Merchant Marine Act, 1936, to further promote the merchant marine policy therein declared, and for other purposes, in room 219, House Office Building, on Tuesday, December 21, 1937, at 10 a. m.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of Mr. MARTIN's subcommittee of the Committee on Interstate and Foreign Commerce, at 10 a. m., Tuesday, January 4, 1938. Business to be considered: Hearing on sales-tax bills, H. R. 4722 and H. R. 4214.

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m., Tuesday, January 11, 1938. Business to be considered: Hearing on S. 69, train-lengths bill.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

898. A letter from the Chairman of the Reconstruction Finance Corporation, transmitting a report of its activities and expenditures for the month of October 1937 (H. Doc. No. 457); to the Committee on Banking and Currency and ordered to be printed.

899. A letter from the Acting Secretary of the Navy, transmitting a draft of a proposed bill to amend a provision in the Naval Appropriation Act approved July 1, 1902 (32 Stat. 680), relative to payment of commuted rations of enlisted men; to the Committee on Naval Affairs.

900. A letter from the Acting Secretary of the Interior, transmitting a proposed bill for the relief of Filomeno Jimenez and Felicitas Dominguez; to the Committee on Claims.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CELLER: A bill (H. R. 8761) to provide adequate compensation for dependents of agents and inspectors of the Federal Bureau of Investigation of the Department of Justice; to the Committee on the Judiciary.

Also, a bill (H. R. 8762) to amend the Revenue Act of 1936 with respect to the surtax on undistributed profits; to the Committee on Ways and Means.

By Mr. GASQUE: A bill (H. R. 8763) to provide pension benefits at wartime rates on account of disability or death incurred in line of duty in the armed forces of the United States resulting from the bombing of the U. S. S. *Panay* incident to the conflict in the Far East, and for other purposes; to the Committee on Pensions.

By Mr. HAMILTON: A bill (H. R. 8764) to amend Public Act No. 784, Seventy-first Congress, entitled "An act to regulate the distribution and promotion of commissioned officers of the line of the Navy, and for other purposes"; to the Committee on Naval Affairs.

By Mr. MAAS: A bill (H. R. 8765) to keep America out of war by repealing the so-called Neutrality Act of 1937 and by establishing and enforcing a policy of actual neutrality; to the Committee on Foreign Affairs.

By Mrs. JENCKES of Indiana: A bill (H. R. 8766) to amend sections 1 and 6 of the Civil Service Retirement Act, approved May 29, 1930, as amended; to the Committee on the Civil Service.

By Mr. HOBBS: A bill (H. R. 8767) to provide for the appointment of one additional circuit judge for the fifth judicial circuit; to the Committee on the Judiciary.

By Mr. MARTIN of Colorado: Joint resolution (H. J. Res. 543) to authorize an appropriation for the survey for the transmountain diversion of waters for irrigation, domestic, and industrial purposes in the State of Colorado; to the Committee on Irrigation and Reclamation.

Also, joint resolution (H. J. Res. 544) making an appropriation for a survey for the transmountain diversion of waters for irrigation, domestic, and industrial purposes in the State of Colorado; to the Committee on Appropriations.

By Mr. SNYDER of Pennsylvania: Joint resolution (H. J. Res. 545) proposing an amendment to the Constitution of the United States relative to taxes on certain incomes; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CONNERY: A bill (H. R. 8768) for the relief of the late Daniel J. Kenneally; to the Committee on Naval Affairs.

By Mr. HAMILTON: A bill (H. R. 8769) for the relief of the heirs at law of Barnabas W. Baker and Joseph Baker; to the Committee on Claims.

By Mr. PATTERSON: A bill (H. R. 8770) granting an increase of pension to Rosa B. Sutherland; to the Committee on Pensions.

By Mr. WOLVERTON: A bill (H. R. 8771) granting an increase of pension to Sarah C. Thomas; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

3662. By Mr. CONNERY: Resolution of the City Council of Revere, Mass., protesting against the influx of foreign trade in shoes; to the Committee on Interstate and Foreign Commerce.

3663. Also, petition of citizens of Saugus, Mass., urging the defeat of any processing tax on wheat or flour; to the Committee on Ways and Means.

3664. By Mr. CURLEY: Petition of the United Federal Workers, endorsing House bill 8428 and Senate bill 3051 providing for a hearing and disposition of employee appeals from discriminatory treatment by superiors; to the Committee on the Civil Service.

3665. By Mr. HARRINGTON: Petition of Sioux County farmers; to the Committee on Agriculture.

3666. By Mr. HAVENNER: Petition memorializing Congress to provide for the continuance of Federal-aid highway funds by providing that the Highway Act of June 16, 1936, remain unchanged; to the Committee on Appropriations.

3667. By Mr. McCORMACK: Petition of the Railroad Retirement Board, Local No. 13, United Federal Workers of America, Jessica Buck, president, Railroad Retirement Board, Washington, D. C., urging early and favorable consideration of the McCormack 5-day workweek bill for Federal employees (H. R. 8431); to the Committee on the Civil Service.

3668. Also, resolution of the Massachusetts Federation of Taxpayers Association, Inc., Reginald W. Bird, president, 1 Beacon Street, Boston, Mass., urging that every effort be made to balance the Budget; to the Committee on Appropriations.

3669. By Mr. RICH: Petition of the Ulysses Grange, No. 1183, Ulysses, Potter County, Pa., protesting against the passage of the Black-Connery labor bill; to the Committee on Labor.

3670. By Mrs. ROGERS of Massachusetts: Petition of the city of New Bedford, Mass., in common council, favoring House Resolutions 354 and 355, directing the United States Tariff Commission to investigate the differences in the cost of production of the domestic cotton yarns and cloths and of any like or similar articles made in foreign countries; to the Committee on Interstate and Foreign Commerce.

3671. By the SPEAKER: Petition of the State of New Jersey Board of Commissioners of Pilotage, referring to the bills which propose to take away the work now done by the Army engineers; to the Committee on Rivers and Harbors.

3672. By Mr. SPENCE: Petition of residents of Covington, Newport, Bellevue, Dayton, Latonia, Fort Thomas, and Fort Mitchell, Ky., protesting against the levying of any excise or processing taxes on primary food products; to the Committee on Ways and Means.

3673. By Mr. TEIGAN: Petition of the City Council of Minneapolis, Minn., opposing Federal taxation of State and municipal bonds; to the Committee on Ways and Means.

SENATE

MONDAY, DECEMBER 20, 1937

(Legislative day of Tuesday, November 16, 1937)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Friday, December 17, 1937, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 8505) to provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce, agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. JONES, Mr. FULMER, Mr. DOXEY, Mr. HOPE, and Mr. KINZER were appointed managers on the part of the House at the conference.

The message also announced that the House had passed a bill (H. R. 8730) to amend the National Housing Act, and for other purposes, in which it requested the concurrence of the Senate.

NATIONAL HOUSING PROGRAM—HOUSE BILL REFERRED

Mr. BARKLEY. I request that House bill 8730, amending the National Housing Act, just messaged over to the Senate, be referred to the Committee on Banking and Currency.

There being no objection, the bill (H. R. 8730) to amend the National Housing Act, and for other purposes, was read twice by its title and referred to the Committee on Banking and Currency.

CALL OF THE ROLL

Mr. MINTON. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

| | | | |
|--------------|-----------|----------------|-----------|
| Adams | Caraway | Green | McAdoo |
| Andrews | Chavez | Guffey | McCarran |
| Ashurst | Connally | Hale | McGill |
| Austin | Copeland | Harrison | McKellar |
| Bailey | Davis | Hatch | McNary |
| Bankhead | Dieterich | Hayden | Maloney |
| Barkley | Donahay | Herring | Miller |
| Borah | Duffy | Hitchcock | Minton |
| Bridges | Ellender | Holt | Moore |
| Brown, N. H. | Frazier | Johnson, Colo. | Murray |
| Bulkeley | George | King | Neely |
| Bulow | Gerry | La Follette | Norris |
| Burke | Gibson | Lodge | Nye |
| Byrd | Gillette | Logan | O'Mahoney |
| Byrnes | Glass | Loneragan | Pepper |
| Capper | Graves | Lundeen | Pittman |